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The U.S. and Japan: Sharing Our Destinies
Mike Mansfield

Ending the Cold War — *Michael Mandelbaum*
NATO's Mid-Life Crisis — *Richard K. Betts*
Trading With the Communists — *Adlai E. Stevenson* and *Alton Frye*

Defense Investment Strategy — *William J. Perry*
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Redefining Security — ***Jessica Tuchman Mathews***

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JOHN J. McCLOY
1895–1989

Few men are privileged to say that they were "present at the creation," to borrow Dean Acheson's felicitous phrase. John J. McCloy could make that claim with great pride, for he was assistant secretary of war during World War II, and he was one of a small circle of FDR's trusted advisers who were aware of the Manhattan Project. Thus, at a critical moment, John McCloy was in a position to change world history.

It was June 18, 1945, at the White House. President Truman was canvassing the views of his senior advisers on the prospect of invading Japan; various views were offered and just before the meeting broke up Harry Truman said, "We haven't heard from you, McCloy, and no one leaves this meeting without standing up and being counted." John McCloy proceeded to stand up and be counted: we ought to have our heads examined if we do not seek a political end to the war before an invasion, he said. We have two instruments to use: first, we could assure the Japanese that they could retain their emperor. Second, he said, we could warn them of the existence of the atomic bomb—a subject that was virtually taboo even in this restricted company. Truman was impressed, and sympathetic to the point about the emperor. He assigned McCloy and Secretary of War Henry Stimson to work out a plan, but history turned in a different direction—toward Hiroshima and Nagasaki.

The point is not whether Mr. McCloy was right, but that he stands as an example of the bold and candid counsel provided by that heroic generation of men and women who served their country in peace and war, and served so wisely after Pearl Harbor. Indeed, Mr. McCloy served in various capacities and he was quick to remind us that he began as an artillery officer in World War I. Among his many accomplishments was his service as High Commissioner for Germany after World War II, when he and Konrad Adenauer carefully nurtured the young Federal Republic back into the European family. Later, in 1961, he began another career, this time advising successive presidents as the chairman of the presidential advisory committee on arms control and disarmament—known in Washington simply as the McCloy Committee.

It was in this assignment that he negotiated one of the seminal

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documents of the era: the U.S.-Soviet Joint Statement of Agreed Principles of arms control and disarmament, adopted in September 1961. Painstakingly hammered out by Mr. McCloy with the ever-difficult Valerian Zorin (and invariably referred to as the McCloy-Zorin principles), these principles were a road map to the future. They led to the first serious arms control agreement, the test ban treaty of 1963. One has to conclude that having witnessed the very dawn of the atomic era, John McCloy was determined to make certain that these awesome weapons would never be used again. Writing of this project for *Foreign Affairs*, he concluded:

> One can reasonably assume that both the leaders and the peoples of the Soviet Union and the United States are convinced of the necessity of avoiding a nuclear war. . . . The leaders of each country have facts available to them which bear conclusive evidence that "victory" in a serious thermonuclear exchange is a highly questionable concept.

It must have been gratifying to have this very point endorsed by Presidents Ronald Reagan and Mikhail Gorbachev over twenty years later.

John McCloy was a great friend of the Council on Foreign Relations, where he served in several distinguished capacities, including as the Council's chairman (1953–70) and on the *Foreign Affairs* editorial board (1953–89). No doubt many members of the Council could relate charming anecdotes of his dry wit and courtly graciousness. But few remembrances could exceed the tribute paid by his president. At the end of World War II, Mr. Truman summoned him to the White House for a ceremony marking the Japanese surrender; referring to the debate on the invasion of Japan, President Truman said to John McCloy, "No one helped me more than you."

A fitting epitaph for a great American. We shall miss him.

William G. Hyland

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Mike Mansfield

THE U.S. AND JAPAN: SHARING OUR DESTINIES

The most important bilateral relationship in the world today is that between the United States and Japan. It was only 44 years ago that our two countries were at war. In the short span of time since 1945 we have constructed an enormously complex relationship that touches all aspects of both societies and much of international human endeavor. The victor and vanquished of World War II have become the cornerstones of the international economic system, together producing almost 40 percent of the world's GNP. That all this has been accomplished in only four decades helps to explain why we find that there are still details to work out in managing this critical relationship.

This relationship is of immense benefit to the peoples of both nations. The United States enjoys the support of a strong, loyal and democratic ally in the Pacific, which contributes greatly to regional peace and prosperity. Japan has the protection of the U.S. nuclear umbrella and enjoys great access to the U.S. market, the world's largest. The two countries' foreign policies and foreign aid programs complement and support each other. Our individual and cooperative scientific and technological achievements have brought about a new age of information, increased our knowledge of ourselves and of our world, and contributed to the welfare of all nations. The lives of both peoples are enriched by a vast and burgeoning network of educational and cultural exchanges.

In sum, two nations that historically have acted quite independently have become interdependent. Neither nation can survive at the current level of economic welfare and security without the active cooperation of the other.

This fundamental aspect of our relationship has been overshadowed in the media and in our bilateral dialogue by a seemingly endless series of disputes over market access and unfair trade practices. At times these frictions have spilled over

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Mike Mansfield was U.S. Ambassador to Japan, 1977–89.

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and threatened to damage other areas of our economic partnership as well as our political, security and diplomatic cooperation.

I do not for a minute deny the importance of, and the need for, a fair and effective resolution of trade problems between the United States and Japan. But these frictions must be addressed in the context of an overall partnership that embraces all aspects of our relationship.

It was in March 1977 that I received a phone call from President Jimmy Carter that began a new life for my wife Maureen and me in Japan, after a full career in public service. Last December, after eleven-and-a-half years as U.S. ambassador in Tokyo, I left Japan to return to retirement. When we departed, both my wife and I were convinced that the individual destinies of Japan and America form a common structure vital to the future of both, as well as the rest of the world.

Let us examine the substance of this partnership.

II

Japan's postwar development owes much to the international free trade system, a system sustained primarily by the willingness of the United States to keep its market open, even at the cost of substantial dislocation in important U.S. industries such as steel and automobiles. The United States did not do this to be altruistic but rather out of the conviction that its economy would be strengthened through free trade and the laws of comparative advantage. Free trade has had and continues to have enormous benefits for the U.S. economy, but for too long Japan did not bear its fair share of the burden of maintaining the system by paying the short-term domestic political and economic costs of opening its own markets to foreign goods.

This is changing. In 1986 Japan established a framework for a major restructuring of its economy, prompted by altered exchange rates. It reduced the role of exports in stimulating economic growth by increasing domestic demand, thereby expanding manufactured imports and helping Japan to share the global economic burden. This has occurred at considerable political costs, resulting in some minor social and economic dislocations in Japan. But on the whole I believe that the Japanese economy and people have benefited.

Japan still has a considerable distance to go before its markets are as open as those of the United States, but the combination of the restructuring of Japan's economy, U.S. success in indi-

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vidual negotiations and the upward reevaluation of the yen are resulting in dramatic changes in the right direction.

Let us examine in detail the progress to date. In the last two years Japan's external sector was actually a drag on GNP growth. Instead, it was rapidly expanding domestic demand—up 5.1 percent—which boosted Japan's GNP growth rate to 4.3 percent in 1987 and an estimated six percent in 1988. The trade numbers also reflect this fundamental change. Imports to Japan, largely a function of domestic demand, are expected to be up roughly 28 percent this year, compared to a 16-percent increase in exports. Also, the prospects are good for about a seven-percent decline in Japan's current account surplus in 1988. The ratio of manufactured imports to Japan's total imports has increased from 31 percent in 1985 to 50 percent recently. Moreover, the U.S.-Japanese bilateral trade imbalance has been improving. The deficit dropped to $55.4 billion in 1988 from $59.8 billion the previous year. Particularly impressive has been the surge in U.S. exports to Japan—up 34 percent in 1988 to $37.7 billion. Although monthly trade numbers will continue to fluctuate, these figures indicate that we are headed toward a healthier balance of trade.

Progress on the serious issue of market access has also been impressive. Japan, on the prodding of the United States and other trading partners, has opened up to a significant extent its telecommunications, tobacco and pharmaceuticals markets, and reduced its tariffs to among the lowest in the world. In 1988 Japan acceded to the decision of a General Agreement on Tariffs and Trade panel, agreeing to allow freer trade in some categories of food products. Agreements providing for access to public works, and to beef and citrus markets, were also concluded. These market-opening measures are significant for the increased sales they will provide to U.S. suppliers—U.S. exports in these sectors are expected to increase by billions of dollars over the next few years—and also because they are concrete evidence of Japan's commitment to trade liberalization. Rice poses a special problem that both governments have agreed should be addressed on a multilateral basis in the Uruguay Round of GATT.

Investment. At the end of 1987 the United States had direct holdings in Japan worth $14.3 billion, making the United States Japan's largest foreign investor. There are only five countries in the world that host more American investment: Canada ($57 billion), the United Kingdom ($45 billion), Germany ($24

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billion), Switzerland ($20 billion) and Bermuda ($18 billion). Moreover, the average annual return on American direct investment in Japan over the last five years has been a striking 21 percent—more than U.S. investment in any other region and, in my opinion, solid evidence of the rewards that can be reaped by American firms that commit themselves to establishing operations in the Japanese market. Start-up has not been easy by any stretch of the imagination, or cheap, but it is clear that the rewards are well worth it.

Japan at the end of 1987 had direct investments worth $33 billion in the United States, much of them due to the recent increase in value of the yen. Media attention regarding Japanese investments has triggered a debate in some quarters of the United States. What has not been mentioned in this debate is the fact that the $33 billion in Japanese investment is far less than the $75 billion in British investment and the $47 billion in investment by the Netherlands. I welcome Japanese investment, as do the 47 U.S. state governors who came to Japan during my tenure to seek new jobs, new capital sources, new tax contributions and development opportunities.

Investment benefits both countries. Japanese direct investment in the United States creates jobs, expands the tax base, provides healthy competition for American firms on their home turf, and often brings new technology and innovative management techniques into the U.S. economy. Japanese portfolio investment in the United States, which totals $160 billion, helps to finance the U.S. fiscal deficit and to keep interest rates from rising, while it provides Japan with a safe and profitable haven for excess capital.

Science and Technology. Japan's postwar development has been greatly assisted by access to U.S. technology through the traditional openness of the American scientific community, by study and research opportunities at American university research centers, and through licensing arrangements with U.S. firms. The flow of researchers and technical information has been generally one-way, but recently both governments have taken steps to increase U.S. access to Japan's scientific community through a new science and technology agreement. The Japanese government has also initiated a program to invite more than 200 American researchers for placement in Japanese research facilities. There are still some structural problems to be addressed. Research in the United States is based largely in universities, while in Japan it is largely based in industries. And

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we must confront the fact that few U.S. scientists and technicians are prepared to do research in the Japanese language. But here, too, we are moving in the right direction.

III

For all that the United States and Japan have achieved, both sides need to do more to achieve a better balance in their economic relationship. Japan must take further steps in its initiatives to remove impediments that hinder foreigners from doing business there or enjoying access to Japanese research and technology. It cannot afford to wait until foreign pressure builds up and a confrontation results. The Japanese government has already done much at the macroeconomic level to stimulate domestic demand and thus imports. The United States has also been successful in sectoral negotiations on such items as wood products, medical equipment, telecommunications, beef and citrus. Remaining barriers relate primarily to difficult, socially embedded areas such as Japan's labyrinthine distribution system, strong supplier-customer bonds and Japanese suspicions of the quality, safety and "after-service" associated with foreign products.

But old habits are crumbling under the impact of the high yen, with discount houses specializing in low-cost imports springing up all over Japan. Japan's leaders should work to continue removing these barriers until not a trace remains to support allegations of a closed Japanese market.

The United States, however, faces the greater challenge. As a nation we have become soft. We have allowed the technology and manufacturing base of our industries to languish, and we have neglected quality and service. This has allowed Japanese firms and others to capture much of our market. The emphasis in American industry has been on short-term profits rather than long-term market growth. This is the reverse of the Japanese approach. Thus, when the upward yen reevaluation created opportunities for U.S. manufacturers to gain back their markets at home and abroad, many companies took this opening to raise prices once again—a terrible waste of opportunity.

The United States must also confront its national budget deficit and its $140-billion global trade deficit, not only its $54-billion deficit with Japan. In an unsettlingly short time, the United States has gone from the world's greatest creditor nation to the world's biggest debtor.

Americans need to save more (the average Japanese saves 19

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percent of the family take-home pay), produce more and consume less. Our primary and secondary education system desperately needs reform if we are going to produce young people able to compete technologically in the world. Higher education must be made affordable to all Americans who have the requisite ability and desire. We must use our technological capability to improve our own production system. And we must reduce our dependence on short-term profits and look instead toward long-term business and industrial strategies.

As the United States and Japan undertake these individual economic responsibilities it is equally important to reduce the rhetoric and political heat each directs toward the other. The United States, in particular, needs to find a less contentious mechanism to handle trade problems. There have been a number of suggestions along this line. Some have proposed the establishment of a bilateral businessmen's council that would take up trade disputes before they become issues in U.S. trade law or in GATT. I have also suggested that the United States should look at some variations of a free trade agreement to see if there are not ways of applying this approach to trade negotiations with Japan. As our two countries become more interdependent, friction will likely increase even further in areas of trade and the economy. We must therefore find a better way to address these disturbances.

Defense. Perhaps no other aspect of the U.S.-Japanese relationship is misunderstood as frequently as our security relations. What ought to be a source of pride for both nations as a brilliant achievement of international cooperation is sometimes dismissed as a "free ride" for the Japanese. Let us take a closer look.

Much of the debate focuses on Japan's defense spending. Some argue that Japan spends too little, yet the one percent of GNP that it spends on defense amounts to $30 billion. This is comparable to the $35 billion spent by the United Kingdom, the $32 billion spent by France and the $31 billion spent by the Federal Republic of Germany. Moreover, if one includes the additional $10-billion worth of pensions and survivors' benefits, which the Japanese handle in a separate budget (unlike the United States and European nations), Japan's defense spending considerably exceeds the expenditures of our European allies.

Japan uses this spending for the mutually agreed objectives of maintaining a defense capability to protect its home islands

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and two sea-lanes out to 1,000 miles, the first extending from the Bay of Tokyo southeast to the region of Guam, and the second from Osaka Bay southwest to the Bashi Channel.

This "small" defense budget buys Japan more destroyers and more antisubmarine aircraft than the United States deploys in the Western Pacific and more F-15s than the United States has for defending its homeland. The Japanese commitment to the joint development of the FSX fighter, to the production under license of 100 P3C antisubmarine aircraft, and to the purchase of such advanced warning systems as the Aegis ensures that its defense capability will be the best possible, that it will be compatible with American defense systems and that it will be developed in cooperation with U.S. defense industries.

This joint defense effort pays enormous dividends to both countries. The United States will defend Japan if the need ever arises. By the same token, the increased capabilities of Japan's own defense forces have allowed the United States to stretch its resources to other parts of the immense Pacific Basin area.

In addition to increasingly carrying the burden of its own defense, the Japanese government provides direct financial support for the upkeep of the 63,000 American military personnel stationed in the archipelago, military forces that play a vital role not only in Japan's defense but in the defense of the region as a whole. Japan currently contributes $2.7 billion of the total cost of $6.2 billion to keep these American forces in Japan. This amounts to about 40 percent of the total cost, or $45,000 per military person—the most generous support provided by any ally. This financial support, moreover, will increase in the years to come.

Joint weapons development projects such as the FSX aircraft program, which has been the subject of debate in the U.S. government, have much promise for the future. They ensure compatibility of U.S. and Japanese weapons systems. They assure participation in very large projects by U.S. industry and access to Japanese technological developments. And they assure that Japan and the United States continue to work together in providing for the defense of Japan and Asia. Some have argued that such programs transfer technology to Japan's defense industry, which at some future date might become a competitor to the U.S. defense industry. While there is some risk in this, Japan does not permit the export of military equipment at the present time and, in my view, is not likely to do so. Thus, it is far better to be a player and a partner with Japan than to force

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Japan to go it alone and develop an indigenous technology that would, indeed, compete with the United States.

When I was in Tokyo, I heard two sorts of complaints from visiting Americans about Japan's defense policy. The "free ride" group argued that the time had come for Japan to shake off its postwar constraints on defense and to take on regional responsibilities that the United States could no longer afford and which were dragging down our economy. A smaller group argued that there was a new nationalism awakening in Japan that would lead it toward becoming an independent military power and that the United States should therefore be wary of Japan's increasing military capability.

While there has always been a very tiny but vociferous minority in Japan in favor of an offensively armed Japan, such opinions have never been more than a media curiosity. The new Japanese generation is more confident. This is to be expected and is welcome. I remember a postwar America that tended to be rather cocksure that it was the center of the world stage. Perhaps this kind of self-assuredness is necessary for a new economic superpower to assume its legitimate role in world affairs. But this confidence should not be confused with a desire for a strong military role for Japan. The Japanese people remain strongly pacifistic and their attitudes have little in common with the prewar generation. Not only is war truly abhorrent to them; they are also perfectly aware that there are far better, humane and effective ways of pursuing legitimate international goals. They also realize that their Asian neighbors do not want a remilitarized Japan. Nor does the United States.

As we look at the many tangible benefits the United States derives from this fruitful security relationship, we should count our blessings to have as a close and loyal ally the strongest, most stable democracy and greatest economic superpower in the region. We need to remember that the U.S. forces in Japan are stationed there in America's interest as much as in Japan's. At a time when U.S. bases in other parts of Asia are under pressure, we must ask ourselves: If the United States were to lose its bases in Japan, where would we draw our new defense perimeter? How much would it cost to establish that new defense perimeter? And how could the United States maintain its strategic influence in the most dynamic region in the world?

In sum, the long-term benefits of the defense relationship must not be put at risk by shortsighted and ill-conceived demands for a greatly enhanced Japanese defense effort. Japan

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should and will do more to support joint defense efforts, but we must recognize what is already being done, how much the United States benefits from this relationship, and how much the United States will lose if cooperation is replaced by confrontation.

IV

Cooperation between the United States and Japan, as the two largest economic powers in the world and as two important democracies, is essential to address development and political problems around the world. I do not mean to imply a U.S.-Japanese "condominium" in Asia or elsewhere, but these two countries by virtue of their economic strength will have to take a leading role along with like-minded states in creating and maintaining the kind of international environment that benefits everyone. Our current cooperation on trade in the Uruguay Round of GATT and on debt relief are examples. This aspect of the relationship is just beginning to be developed, but I believe that as the United States and Japan move into the next decade, global political and economic cooperation will replace bilateral trade confrontation as the watchword of the relationship.

Foreign economic assistance is one area for such cooperation. The United States has traditionally borne the greatest foreign assistance burden through its aid program and by keeping its market open to the agricultural and industrial products from the developing world, and it must continue to play a major role in this area. The United States must also acknowledge, however, that Japan's aid program will soon become the largest in the world. Japan already surpasses the United States in terms of the ratio of overseas development assistance to GNP (0.23 percent for the United States versus 0.31 percent for Japan) and aid per capita (the United States spends annually $39.60 per American and Japan spends $46.40 per Japanese citizen).

In 1988 Japan appropriated a total of $10.4 billion for economic assistance. Aware of the need to recycle its trade surpluses to the most needy nations, Japan pledged at the seven-nation summit in Montreal concessional flows totaling at least $50 billion over the next five years. It also promised to improve the "quality" of its aid by increasing the percentage of grants and untied assistance. Specifically, it announced that by 1990 all of its aid to the Philippines, Thailand and Malaysia

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will be completely untied. The United States can expect that this policy will be extended to loans to other countries as well.

Geographically, Japan's overseas development assistance remains strongly oriented toward the Asian Pacific region. There are obvious historical and political reasons for this orientation. Its assistance has been effective; the stable and prosperous environment in East Asia since 1975 owes much to Japanese aid and trade. But Japan is also currently one of the top benefactors of Pakistan, Turkey and Egypt, and has begun increasing assistance to Mexico, South and Central America, the Caribbean and sub-Saharan Africa. Japan recently indicated that it was prepared to provide substantial financial support for the return of refugees to Afghanistan—and to support peacekeeping forces—after the pullout of Soviet troops. And it has offered to do the same in Cambodia and elsewhere.

It is fortunate that Japan's foreign policy interests coincide almost completely with those of the United States; the recipients that the Japanese government selects for such aid are generally those countries that the United States would like to see receive support. Since the U.S. aid budget is unlikely to increase in the near future and because so much of its aid is "earmarked" for special countries such as Israel and Egypt, Japan can play a critical role in promoting economic development and political stability in regions that are important to the United States and the West as a whole.

Japan is also making a significant contribution in absorbing an increasing share of manufactured products from developing countries. Japan has increased its imports from Asia's newly industrialized economies by over 70 percent in the last two years, albeit from a very low level. Almost all of this represents manufactured goods such as textiles and electronics, making Japan an engine of growth for the region.

None of these developments should be regarded as an excuse for the United States to reduce its aid program further; diminishing aid means diminishing influence, and this is not in the U.S. interest, nor as the Japanese remind us, in the interest of Japan. But, in assessing our partnership, Japan's role in our mutual effort to promote economic security, well-being and development for less fortunate regions of the world deserves U.S. attention and acknowledgment.

Global cooperation between the United States and Japan extends beyond economic assistance. In the United Nations,

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the United States and Japan work as closely as any two allies in pursuit of shared interests. On regional issues, including Afghanistan, Cambodia, the Middle East and even Central America, Japan is an increasingly active player and contributor. Indeed, it could be argued that there is greater harmony between the United States and Japan on foreign policy issues than with any other country. In the years ahead Japan may take an active role in international peacekeeping activities and in finding other areas to contribute politically. I do not mean to suggest that a more active Japanese foreign policy will always produce initiatives to our liking, but as I noted, we share the same fundamental interests and objectives—a more secure, democratic and prosperous world.

V

A little over a year ago, some congressional representatives, to protest the selling by Toshiba Machine Company of high-technology equipment to the Soviet Union, took a sledgehammer to an audiotape player manufactured by a different Toshiba subsidiary. The photos of this event were printed much more widely in Japan than in the United States, and the picture remains etched clearly in the minds of many Japanese as an example of American contempt for Japan.

A new phrase was added to the Japanese language in the aftermath of this event, *Nihon Tataki*—Japan-bashing. The legitimate U.S. concern over the sale of vital defense-related technology to the Soviets by an ally was lost to the Japanese public in all this emotion. For their part, Americans ignored the stiff penalities meted out by the Japanese government to the Toshiba Machine executives involved, the resignation of the chief executive officer of the parent Toshiba Corporation (which was not involved in the sale), and the immediate steps taken by the Japanese government to tighten up the enforcement of regulations by the Coordination Committee for Multilateral Export Controls and to increase penalties for violators.

As a result, the facts were lost and events were distorted beyond recognition, but the images and the anger remain. It is not surprising, in countries that have proceeded from sworn enemies to close partners in little more than 40 years, that people occasionally allow emotion to overshadow reason. But I am concerned that emotional responses will erode the goodwill in both Japan and the United States. Self-restraint is needed

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on both sides. We know a great deal about each other, but we do not always understand.

This gap in understanding is narrowing. Fortunately, as healthy democracies we have a rich fabric of exchanges. The flow of travelers from Japan to the United States exceeded two-and-a-half million last year. The flow in the other direction was smaller but still significant. Future travelers will find their trips made a bit easier because our two governments just recently put in place a system of waivers so that tourists will no longer be bothered with the necessity of seeking visas to travel between the two countries for short stays.

Last year at least 20,000 Japanese came to the United States to attend high school or college. The number of high school exchange students would have been larger but there are simply not enough host families available in the United States to accommodate Japanese youngsters wanting to attend an American school.

In part because of the high value of the yen and language difficulties, the number of Americans studying in Japan is much fewer, under 2,000. Nevertheless, I am pleased to note that in 1986 over 23,400 U.S. college students were enrolled in Japanese-language courses and that nearly 100 American high schools teach Japanese. This is a significant step. It exposes children at an early age to a country that will be an important part of their future.

The Japanese government has also begun an innovative and exciting program that is now in its third year. It is called the Japan Exchange and English Teaching Program. Under this initiative, 3,000 college graduates from a number of English-speaking countries (the bulk of them from the United States) spend a year in Japanese high schools or prefectural offices serving as English-language resource persons and advisers on international projects.

There are also many joint university projects, centers and faculty exchanges under way. A very recent phenomenon has been the establishment of some 12 branch campuses of American colleges operating in Japan with half a dozen more in the offing. These campuses have a fine potential for contributing to educational exchange and greater understanding between young Americans and Japanese.

Many traditional programs that have for years contributed to our mutual cultural understanding now grow more important in this age of interdependence. The U.S.-Japan Confer-

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ence on Cultural and Educational Interchange conducts a periodic evaluation of our cultural relationship and focuses both countries' attention on those areas which need help. The Japan-U.S. Educational (Fulbright) Commission continues to play a key role in the intellectual exchange between the two nations, as it has for 40 years.

VI

More than anything else, this is what the past eleven years or so have meant: establishing one friendship at a time, treating others as we would have them treat us, arguing when necessary and doing so with firmness and without equivocation, but always keeping in mind that we are speaking with friends—the best friends the United States has in that part of the world.

What we have been able to achieve in these years will be for others to judge, but we leave with our heads held high and our arms swinging. The relationship is sound. In most areas the relationship is exemplary, notably in the areas of security, foreign policy cooperation, foreign aid and cultural exchange, among others. In trade, we still have much to learn, but we can build on our recent successes, and we will find that a better mechanism exists for keeping our disagreements from being blown out of proportion. I am optimistic because neither the United States nor Japan has the option of going it alone anymore. The ocean that divided us now unites us. Every year more and more individuals on both sides of the Pacific understand the importance of and are working for the betterment of the U.S.-Japanese partnership—the most important relationship in the world, bar none.

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Michael Mandelbaum

ENDING THE COLD WAR

The cold war has dominated American foreign policy for four decades. For all of this time the American aim has been to encourage fundamental changes in the Soviet Union's relations with the rest of the world. For forty years the West has waited for signs of such changes. Now they have begun to appear. Mikhail Gorbachev has launched the most ambitious, sweeping and, from the West's point of view, promising program of reform in the history of the Soviet Union.

While the outcome of the process that he has set in motion is by no means certain, there can no longer be any doubt that something of extraordinary importance is taking place in the Soviet Union, with potentially profound consequences for American foreign policy. A marked improvement in Soviet-American relations has already occurred, and even more dramatic improvement is possible. It is now time to think seriously about what is required to end the cold war.

This is not, to be sure, the first time that a dramatic improvement in Soviet-American relations has seemed to be at hand. Indeed, declarations of a new day of harmony between East and West have been a recurrent theme of the postwar period. Hopes for a durable accommodation and expanded cooperation between the two great powers were highest at the time of the détente of the early 1970s, and its failure led to deep, bitter disappointment. The parallels between that period and the present one do not, at first glance, offer grounds for optimism.

Then, as now, a series of summit meetings between the leaders of the two countries took place. Then, as now, there was talk of expanded economic relations. Then, as now, many who wished to leave the Soviet Union were allowed to do so. Yet the détente of the 1970s did not bring a lasting improvement in relations between the two superpowers. Why should

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things turn out differently now? There are, in fact, two important differences between the two periods that make the present moment far more promising.

First, the international conditions are substantially different. In the early 1970s the Soviet Union was on the rise; it achieved nuclear parity with the United States and was able for the first time to project non-nuclear military force beyond Europe. Its Eastern European empire was tranquil: the liberal currents in Czechoslovakia had been snuffed out in 1968, and workers' demonstrations in Poland in 1970 and 1976 were effectively contained. The United States, on the other hand, was beleaguered—defeated in Vietnam, divided at home, with a politically crippled chief executive for a crucial part of the decade and a distaste for international entanglements for much of the rest of it.

Because they approached détente from differing circumstances, the two countries understood it in different and incompatible ways. For the Soviet leaders it represented the American acknowledgement that their country had become the international equal of the United States and was thus entitled to all the rights and privileges, as they saw it, that the other superpower had long enjoyed. The United States had been forced to make this concession, in Moscow's view, by Soviet strength and American weakness, which some Russians came to believe represented a permanent shift in the balance of strength between the two.

Americans, by contrast, saw détente as a Soviet commitment to abide by the international rules of good behavior as defined by the United States. When Moscow behaved otherwise the American public felt alarmed and then betrayed.

Now the positions are reversed. It is the Soviet Union that is beleaguered—disengaging from an unwinnable war in Afghanistan, with clients under pressure in Southeast Asia and southern Africa and restive satellites in Eastern Europe, and beset by severe social, political and economic difficulties at home. The present leadership must cope with the legacy of the Brezhnev period, in which a steep decline in economic performance left the country falling ever further behind the advanced industrial democracies. The Brezhnev foreign policy also appears in retrospect a failure. The Soviet Union did not gain military superiority over the West; its new clients turned out to be poor and unstable; it failed in Afghanistan; and its

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relations with the United States, China and Japan all deteriorated.

Therefore, while the earlier détente was undertaken by the Soviet Union for offensive motives, in the late 1980s the overriding Soviet purpose is defensive. The United States, of course, has problems of its own, notably its huge budget and trade deficits. Nonetheless, it is more confident than it was in the early 1970s.

International setbacks such as the Soviet Union has experienced often produce tactical retreats. But the potential now exists for a transformation of the U.S.-Soviet relationship, rather than merely a temporary lull in their forty-year conflict as the détente of the 1970s proved to be, because of a second difference between the earlier period and the present one: the trend in Soviet internal affairs.

The 1970s were a conservative time within the Soviet Union; Leonid Brezhnev was a resolute custodian of the status quo. He shunned new ideas, new policies and new personalities. Mikhail Gorbachev, by contrast, is promoting sweeping, even revolutionary change. The focus of his program of reform is domestic rather than international. Domestic reform, however, has important consequences for Soviet foreign policy, and therefore for Soviet-American relations.

In the short term reform makes the Soviet Union more accommodating and less aggressive abroad. Soviet Foreign Minister Eduard Shevardnadze has said that the purpose of Soviet foreign policy is to foster conditions in which domestic restructuring can succeed. These conditions include the relaxation of tensions with other countries.

More important, Gorbachev's reforms may ease the Soviet-American rivalry by altering the conceptual basis of Soviet foreign policy. Moscow is reconsidering precepts that have governed its foreign policy in the past and that have put it at odds with the West. If new ideas come to shape policies, the underlying causes of the cold war cannot help but be affected.

How should the United States respond to all this? It is first necessary to decide what is central to the cold war and what is peripheral, to separate the threatening aspects of Soviet conduct from those features that are merely annoying. The Soviet goal, Moscow regularly declares, is "normal" relations with the United States. To establish them requires some definition of what has been "abnormal" for forty years.

To this distinction another must be added—between what

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is feasible and what is not. Were it within the power of the United States completely to recast Soviet foreign and domestic policies, the result would be dramatically different from the Soviet Union of today. The United States does not, however, have that power, and it would be foolish, indeed counterproductive, to insist that the Soviet Union conform entirely to Western standards and preferences in order to end the cold war.

Deciding what is feasible is an act of political judgment, and not an easy one. For if it is a mistake to expect too much, it is also an error to ask too little of the Soviet Union, to set the standards for ending the cold war too low by assuming that substantial improvements in the present state of affairs are impossible.

To end the cold war the initial task for the United States, then, is to set standards for progress in the three principal areas of conflict with the Soviet Union—regional disputes, the military confrontation and human rights. Americans must decide what, in relations between the United States and the Soviet Union, is the best of all possible worlds, if not the best of all imaginable worlds.

II

Like other great-power conflicts of the past, the cold war has concerned territory and its control. The United States and the Soviet Union have competed to implant or impose their own political systems beyond their borders.

In the 1970s the most vigorously contested territories were in Africa, Asia and Latin America. The détente of that decade foundered on the Soviet role in the Arab-Israeli war of 1973, Soviet assistance to the Vietnamese communists in their war of conquest in Indochina, and Soviet sponsorship of Cuban intervention in Angola and Ethiopia.

Striking changes in the Soviet approach to conflicts in the Third World have occurred under Gorbachev, and some changes predate his accession. In the early 1980s articles began to appear expressing disenchantment with the clients that Moscow had acquired beyond Europe and asserting that most Third World countries were unpromising candidates for socialism.

Under Gorbachev Moscow has acquired no new clients and has on the whole been strict with existing ones, for example, chastising the Vietnamese and the Cubans for wasting Soviet aid, and denying the Nicaraguan Sandinistas and the Marxist

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government of Angola anything like the support Cuba and Ethiopia receive.

Even more dramatically, whereas Moscow's attitudes toward regional conflicts once ranged from tolerant to enthusiastic, recently the Soviet leadership has displayed more than a passing interest in bringing the bloodiest and most dangerous ones to an end. While contributing little to ending the Iran-Iraq War, the Soviet Union nevertheless made clear its preference that it not continue. It has demonstrated more flexibility in its approach to the Arab-Israeli conflict than at any time in twenty years, first telling Syria's leader Hafez al-Assad that it was "not normal" for the Soviet Union to have no diplomatic relations with Israel, and then, gradually and without public fanfare, restoring relations with Israel in all but name.

Cuba's agreement to withdraw from Angola and Vietnam's decision to leave Cambodia were undoubtedly undertaken in no small part because this is what Moscow wanted. The most dramatic shift in Soviet Third World policy has occurred in Afghanistan. Early in 1989, after nine years of occupation and a brutal struggle with the Afghan resistance, the last Soviet soldier returned home.

Afghanistan is an important country for the Soviet Union, and the decision to withdraw marks a major shift in Soviet foreign policy rather than simply a tactical retreat from an overextended military position. For Afghanistan has been a communist country ruled by a Leninist party, to which the Brezhnev regime committed more than 100,000 troops to maintain in power. The fall of that party would repudiate the so-called Brezhnev Doctrine, according to which once a communist government has been installed in a country it must be kept in place at all costs.

For most Americans the term "regional conflict" suggests images of exotic locales and unfamiliar people—tribal disputes in Africa and guerrilla campaigns in the mountains of Southwest Asia. By far the most important Soviet-American regional conflict, however, is the one in Europe. Europe is the most valuable contested area on the planet. It is where the cold war began in the 1940s. It is where the stakes continue to be the highest, and therefore where the two sides are most heavily armed. Should there be a third world war of the twentieth century it would be, like the first two, a conflict for dominance in Europe.

The continent has, it is true, been peaceful for a generation.

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The last major East-West crisis there, over Berlin, occurred in 1961. Much of the West and the rest of the world have come to see Europe as stable and its political conflicts as settled. In fact, neither perception is accurate.

The core of the cold war in Europe is Soviet domination of Eastern Europe. Moscow has imposed unwanted and illegitimate communist regimes on countries that, if free to choose, would have governments much more like those in Western Europe. This is an affront to American values.

More important, Soviet domination of Eastern Europe threatens American security. The American military commitment to Western Europe is based on the fear that without it the Soviet Union would do to France, Italy, the Benelux countries and West Germany what it has already done to Poland, Czechoslovakia, Hungary and East Germany. The threat of Soviet aggression against Western Europe is credible because it has already taken place—and continues to the present—against Eastern Europe.

Ending the cold war requires ending the Soviet threat to Western Europe, which requires ending Soviet subjugation of Eastern Europe, which means allowing the people of that part of the world to decide freely how to govern themselves. The principal requirement for the end of the cold war, in short, is self-determination for Eastern Europe.

The goal is easy enough to state but will be far from easy to achieve. It cannot be achieved suddenly or violently. Nor can it be achieved against the determined opposition of the Soviet Union. Moscow will retain the power to impose its will in the region for the foreseeable future.

Nor—and this is the most difficult point of all to understand as well as to accomplish—does self-determination for Eastern Europe necessarily require the dissolution of the Warsaw Pact. It is not the presence of Soviet troops in these countries per se that is the cause of the conflict with the West. It is rather the fact that these troops are deployed to keep in power governments that could not survive without them. Their purpose is not to protect the security of the Soviet Union but to impose Moscow's ideological preferences on people whose political values are different. Were they to cease to do so, and were they to be reorganized to carry out defensive rather than offensive military missions, they would be far less threatening to Western Europe. Thus what is needed is for Moscow to separate its security from its ideology.

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The changes that have taken place in Eastern Europe since 1985 are promising. The Gorbachev years have seen the acceleration of the trend, under way since the death of Stalin, for the individual ruling parties of Eastern Europe to acquire increasing latitude to manage their own affairs. Indeed, Gorbachev appears willing to permit considerable autonomy, as long as each country remains "socialist" (which may even entail the local communist party's sharing political power with an institutionalized opposition) and as long as each remains within the Warsaw Pact. The result is that some East European countries, notably Hungary and Poland, are taking steps toward freer social, political and economic practices, while in others—East Germany, Czechoslovkia and Romania—the leadership is resisting such policies.[1]

Still, the obstacles to genuine self-determination in Eastern Europe remain formidable. What is required in the first place is a fundamental change in the way the Soviet Union defines its own security.[2] Only when Moscow concludes that the forcible maintenance in power of unwanted communist regimes in the capitals of Eastern Europe is not necessary for Soviet security, indeed that this makes the Soviet Union less rather than more secure, will the necessary changes in the region be possible. Far from separating security considerations from ideological preferences, however, the Soviet leaders have seen them as identical throughout the postwar period.

It has been an axiom of postwar Soviet politics that the countries of Eastern Europe must retain some kind of Soviet-style socialism. It will be difficult to discard this principle because the existence of communist regimes outside the Soviet Union is bound up with the Communist Party's own claim to rule in Russia.

That claim has a nationalist basis. The party guided Russia through its greatest trial in modern times, the Second World War. The Eastern European empire is the principal spoil of that war, and thus part of the party's nationalist credentials. Moreover, its military foothold far to the west of Russia's

[1] See Charles Gati, "Eastern Europe on Its Own," *Foreign Affairs, America and the World 1988/89*, pp. 99–119.

[2] There are signs of change on this subject. A prominent Soviet authority on Eastern Europe has been quoted as envisioning the possibility of developments in Hungary leading to a political system like those of Sweden and Austria, while Hungarian membership in the Warsaw Pact continues. Henry Kamm, "Hungary Prints a Liberal Soviet View of 1956," *The New York Times*, Feb. 11, 1989, p. 28.

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traditional borders fulfills the ancient Russian dream of becoming a dominant power in Europe. Unlike the overseas clients that Moscow has acquired in the postwar period, the European empire is popular with most Russians, who consider it rightly theirs because they paid for it in blood. The Eastern European empire is also important because Marxism-Leninism claims to be an international creed and the control of Eastern Europe is its principal tangible achievement beyond Russia's borders.

Even if Moscow is open to reconsidering what forms of government are desirable in Eastern Europe, moreover, many of the local leaders are not. Their positions, after all, depend ultimately on Soviet military support. Genuine self-determination would, in many cases, sweep them away. They can be expected to resist changes that would lead to their removal from power.[3]

Another obstacle to the changes in Eastern Europe necessary to end the cold war is the possibility that, over the next decade, the region may experience not steady progress toward more open political and economic systems but rather political explosions like the Hungarian uprising of 1956. Given the current governments' lack of political legitimacy, such stability as there has been in Eastern Europe has been the result of economic gains. In the 1980s, however, economic performance across the region has faltered. The different countries suffer from some of the same problems that afflict the Soviet economy: a smothering bureaucracy, obsolete technology and a lack of incentives for managers and workers.

In the past economic stringency has touched off political rebellion, notably in Poland but also elsewhere in the region. Rebellions could break out again in the 1990s and, ironically, are all the more likely to the extent that Soviet intervention seems unlikely. But a political explosion somewhere in Eastern Europe could provoke Soviet intervention, which might well scuttle not only the movement toward liberalization there but also reform in the Soviet Union.

Further complicating the prospects for self-determination in Eastern Europe is the division of Germany. For while it is at least conceivable that governments chosen by the people of Poland or Hungary or Czechoslovakia would agree to remain in the Warsaw Pact and play host to Soviet troops as part of a

[3] The gap between rulers and ruled varies widely in Eastern Europe. See Gati, *op. cit.*, p. 99ff.

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purely defensive military coalition, if given the freedom to choose the citizens of the German Democratic Republic would most probably join their fellow Germans in the Federal Republic. This the Soviet Union will not permit, and even Western Europeans would not necessarily be happy at the prospect.

The reasons for this are strategic as much as ideological. Any government in Moscow would be wary of a reunified Germany, regardless of its political stripe. The existence of the Warsaw Pact and especially the presence of a large contingent of Soviet troops in East Germany guarantee the division of Germany. This is one of the reasons Moscow is unlikely to countenance the dissolution of its military bloc, regardless of whatever changes take place in the internal character of the governments of Eastern Europe.

The question of Germany's role in Europe and the world was at the heart of the two great wars of this century and was solved by a set of military and political arrangements that have been part of the cold war. No other solution acceptable to all concerned is available at the moment. So the division of Germany will be the last part of the cold war in Europe to be liquidated.

Still, for all the difficulties involved, national self-determination and internal independence for the countries of Eastern Europe other than East Germany are now conceivable in a way that they were not before Gorbachev came to power. Political developments in Poland and Hungary in the first months of 1989 moved those two countries dramatically in that direction. In both countries the regime has agreed in principle to abandon what has been fundamental to communist rule everywhere, the Communist Party's monopoly of political power. Negotiations have taken place in both for a transition to genuine political pluralism. These are developments of extraordinary importance, which, if carried through, would do much to remove the central cause of the Soviet-American conflict in Europe. If the end of the cold war there is still some distance away, the beginning of the end may now be at hand.

III

The military confrontation to which the political rivalry between the United States and the Soviet Union gave rise has been the most visible part of the cold war. It has received the most sustained bilateral attention, having been the subject of

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sporadic international meetings since the 1940s and continuous negotiations since the early 1970s.

Because the weaponry the two sides have accumulated is so powerful, the wish to do away with it completely has found persistent expression in many official proposals. "General and complete disarmament," as it was called in the 1950s, is not, however, an appropriate standard for the end of the cold war because it is not possible. The existence of armaments is rooted ultimately in the anarchic character of the community of sovereign states, not in the relationship between any two of them. Because there is no world police force to prevent one state from attacking another, each must be prepared to defend itself. So each provides itself with weapons.

Therefore, all nuclear weapons will not be abolished, despite Gorbachev's proposal that this be achieved by the year 2000. These arms cannot be disinvented. Even if all existing ones were destroyed, the knowledge of how to make them would remain. The need for self-protection that drives states to arm themselves leads to the desire for the most effective weapons available, which in the last decade of the twentieth century happen to be nuclear weapons.

This does not mean that all states must have nuclear weapons; the ranks of nuclear-armed states are relatively small, but they do include countries other than the United States and the Soviet Union. France, Britain and China are no more likely than the two superpowers to relinquish their nuclear stockpiles.

In the military confrontation between the United States and the Soviet Union, the best of all possible arrangements is equilibrium, which may be defined as deployments on each side that are defensive. With such arrangements each country would remain armed, probably heavily armed, but their forces would be designed to repel or respond to an attack rather than to launch one.

The military forces of the Soviet Union and the Warsaw Pact are, with some notable exceptions, geared much more explicitly to attack than those of the United States and NATO. To establish equilibrium based on defense, therefore, broader change is required on the Eastern than on the Western side of the division in Europe. To this end, some of the statements that the Soviet leaders have made over the last four years are promising. They have embraced principles that, were they to become the basis for actual military deployments, would do a great deal to bring

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about the equilibrium that would, in military terms, mark the end of the cold war.

Moscow has minimized the rivalry with the West, with Foreign Minister Shevardnadze stating that "class conflict"—that is, hostility between the communist bloc and the capitalist states—is no longer the central feature of international politics. It would seem to follow that the military requirements of the Soviet Union are now more modest than they were when the struggle with the United States and its allies was defined as central.

Gorbachev himself has endorsed the idea of "common security," according to which one side cannot be secure at the expense of the other. This implies, although it hardly guarantees, an end to the arms competition with the United States. Each country, according to the logic of common security, should recognize the futility of seeking an advantage over the other and settle for a stable balance between them.

Gorbachev and others have also asserted that the doctrine governing the size and disposition of Soviet military forces is one of "defensive sufficiency." Here, too, the logical consequence is a series of deployments that are less threatening to the West.[4]

Words alone do not affect the military balance. Still, they are not without significance. They are especially important when they come from the highest level in the Soviet political system. Authoritative pronouncements establish new doctrinal standards; they broaden the boundaries of permissible debate.

Since 1985 the Soviet Union has gone beyond words in recasting its side of the military balance. A series of agreements and announced unilateral measures, while modest in and of themselves, have broken with patterns of the past and established precedents for new policies that, if carried forward, would move the military balance toward defensive equilibrium.

Much of a new treaty on strategic nuclear weapons was completed during the Reagan Administration. Its terms provide for the Soviet Union and the United States to reduce substantially, for the first time, their main nuclear arsenals. Of greater importance is the fact that the Soviet side has been willing, for the first time, to accept reductions in the weapons

[4] On the Soviet "new thinking" in military affairs, see David Holloway, "Gorbachev's New Thinking," and Robert Legvold, "The Revolution in Soviet Foreign Policy," in *Foreign Affairs, America and the World 1988/89*, pp. 66–98.

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that the United States considers most threatening because they are most useful for a preemptive attack—heavy land-based missiles armed with multiple warheads.[5]

During the Reagan Administration the United States and the Soviet Union also signed a nuclear arms treaty eliminating intermediate-range missiles stationed in Europe. The accord was hailed as the first ever to eliminate an entire class of nuclear weapons. In fact, its significance lies less in its effect on the overall military balance, which is modest, than in its provisions for on-site inspection to verify compliance with its terms. In a break with all precedent, American officials will be permanently stationed in the Soviet Union (and Soviet inspectors in the United States) to make certain that any violations are detected.

Because it has been a fundamental American principle that all provisions of every arms control accord must be subject to independent verification, and because there are limits to what can be monitored by reconnaissance satellites, the Soviet acceptance of on-site inspection broadens the range of potential agreements.

Just as important as this treaty, although greeted with far less fanfare, is the set of measures covering the actual operation of military forces in Europe that emerged from the Conference on Security and Cooperation in Europe held in Stockholm in 1986. They include provisions for the advance notification of all ground-force exercises involving 13,000 or more troops or 300 or more tanks, for the dispatch of observers to exercises involving more than 17,000 troops, and for up to three short-notice on-site inspections per year to ensure compliance with the first two provisions.

These measures set a precedent not only for on-site inspection but also for Soviet-American agreements on non-nuclear forces, which are in some ways more important than the two nuclear arsenals. Unlike nuclear weapons, non-nuclear forces can be used. Conventional war is conceivable in a way that nuclear war is not. The Soviet non-nuclear forces in Europe, moreover, have a particular political significance: they embody the aggressive intentions that the West imputes to Moscow.

[5] The prospective treaty on strategic nuclear weapons will not automatically reduce the theoretical susceptibility of American land-based missiles to a preemptive attack. Whether the agreement makes the balance more stable depends on what if any unilateral measures the United States takes. See Edward L. Warner III and David A. Ochmanek, *Next Moves: An Arms Control Agenda for the 1990s*, New York: The Council on Foreign Relations, 1989, Chap. 2.

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Finally, in his speech to the United Nations on December 8, 1988, Gorbachev announced the unilateral withdrawal of 50,000 of the 565,000 Soviet troops in Eastern Europe. The forces to be withdrawn are to include those most useful for launching an attack—tanks and units with bridging equipment. This announcement established another important precedent because it is a unilateral measure. The West contends that the Eastern bloc has the stronger non-nuclear forces and that to move toward equilibrium in Europe therefore requires deeper reductions on the Eastern than on the Western side. The Gorbachev troop cut is asymmetrical in this way.[6]

The conversion of Soviet forces from an offensive to a defensive orientation, it should be noted, has not yet been accomplished. Moreover, there are obstacles to the establishment of military equilibrium apart from Soviet reluctance to reduce and reshape its forces, a number of which stem from the fact that the negotiations on non-nuclear armaments will be more complicated than those covering nuclear weapons.

For conventional armaments, it is more difficult to judge which weapons and strategies are offensive and which are defensive, and to define a military equilibrium. Matters are further complicated by the fact that the geostrategic positions of the two countries are different, and so therefore are their basic military requirements. The United States is a maritime power with commitments to allies from which it is separated by vast oceans; the Soviet Union is a land power that confronts adversaries from both the east and west.

Conventional weapons are harder to count than nuclear weapons, so a conventional arms treaty will be more difficult to verify. The two sides' nuclear arsenals consist of several thousand large pieces of machinery, almost all of which can be readily distinguished and tallied through satellite reconnais-

[6] The institutional arrangements that govern military policy in the Soviet Union have also changed. The armed forces have less political influence now than they did in the Brezhnev era. To be sure, the party has always exercised strict control over the military, but under Brezhnev the party leadership deferred to the generals on strictly military questions. Now the civilian leaders are more skeptical and critical, and seek counsel from scientists and civilian analysts. The military has lost political clout in another way. Dimitri Ustinov, the longtime defense minister under Brezhnev, was a trusted member of the Politburo's inner circle. The present defense minister, Dimitri Yazov (unlike Ustinov a professional officer rather than a career party official), is only a candidate member of the Politburo, with far less influence. Finally, under Gorbachev a perceptible decline has occurred in what might be called the "militarism" of Soviet society—that is, the glorification of the military and the emphasis on its role in the history of the country—which has saturated Soviet public life since World War II.

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sance. The conventional armies in Europe, by contrast, include hundreds of different kinds of weapons and millions of men. These huge, complicated forces are far more difficult to monitor.

Finally, whereas negotiations on nuclear arms control have involved the direct participation of only the United States and the Soviet Union, the formal talks on conventional reductions include the European allies of both. As difficult as it will be for the United States to agree with the Soviet Union on a mutually acceptable military balance in Europe, it may be even more difficult to find common ground on this issue with Great Britain, France and West Germany.

These obstacles to achieving military equilibrium, however, are as much technical as political, and if the political climate of East-West relations improves, the military questions will become easier to resolve. If the Soviet Union becomes a less obtrusive presence in Eastern Europe—that is, if the countries of the region move toward more liberal political and economic practices—the perceived need for military forces on both sides is bound to ease, and equilibrium will therefore be more readily achievable.

The arms control accords of the past, and not only of the Gorbachev era, represent modest progress in that direction. They provide a foundation on which further agreements can be built. In fact, for the military balance between East and West, the best of all possible worlds is not entirely different from the world of the present: there is a rough military equilibrium now between the two military blocs in the sense that neither is likely to launch an attack, and both sides recognize this.

In the best of all possible worlds the two sides' forces, especially those of the Soviet Union, would conform more closely to the technical definition of defense, each would have fewer weapons, and neither would be racing to gain a technical advantage over the other. Although the military balance is relatively stable today, it can be made more stable. But both sides are destined to remain well armed. In that sense, the end of the cold war will bear a distinct family resemblance to the cold war itself.

IV

Of the three areas of conflict that have come to comprise the cold war, the most difficult to address is human rights

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because it touches on, indeed is inseparable from, the internal political order of the Soviet Union. There is a strong chance, moreover, that the issue of human rights will have much wider ramifications for Soviet domestic politics in the future.

So difficult an issue is human rights that some American administrations have been reluctant to address it. The question of human rights is firmly on the agenda of Soviet-American relations, however, because the American public has insisted that it be there.[7] The West Europeans share Americans' political values but generally believe they should nonetheless be kept out of foreign policy. Because Americans feel so strongly about human rights and the broader question of the political rights of Soviet citizens, however, the issue cannot be deleted from the agenda of Soviet-American relations. The American public will treat the question as a litmus test of serious change in the Soviet Union.

Human rights are relevant to the basic issues of the cold war. For example, domestic changes in the Soviet Union are intimately related to the changes in Eastern Europe that are necessary to end the cold war. The further that reform proceeds in Russia—the less like the state that Stalin created and the more like the West the country becomes—the weaker will be its impulse to impose communist governments on Eastern Europe, because the regime will then have other sources of legitimacy. At the same time, Soviet political practices themselves will become less alien and obnoxious to the people of the region.

Similarly, domestic change in the Soviet Union has opened the way for movement toward military equilibrium. The "new thinking," which promises new policies, is partly the result of a freer political climate in which previously taboo ideas can be advanced and discussed.

Internal change in the Soviet Union bears on yet another issue of direct relevance to ending the cold war. A frequently expressed American concern is that Gorbachev's policies could be swept away if he were to be replaced or simply to change his mind. Having made concessions in response to the previous policies, it is feared, the United States would find itself suddenly vulnerable. What guarantees are there, policymakers must

[7] On the sources of the American preoccupation with human rights, see Seweryn Bialer and Michael Mandelbaum, *The Global Rivals*, New York: Knopf, 1988, pp. 28–36, 98–103.

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therefore ask themselves, that the changes Gorbachev has initiated will endure?

There are no ironclad guarantees that the Soviet Union, or any country, will forever keep its commitments. In politics nothing is either irreversible or permanent. Although hardly foolproof, the best hedge against sudden, unfavorable shifts in a country's foreign policy is an open political system in which policies are discussed and debated for all the world to hear, and in which it is not possible for a single person or a small group acting secretly to alter abruptly the course of policy. To the extent that the Soviet Union becomes a more open society and the public is given a voice in the political process, the United States can have some confidence that Moscow will not abandon commitments it has made without warning and in a way that would put the West at risk. Openness provides other countries with an early warning system.

Of the three areas that make up the cold war, the changes in human rights since Gorbachev came to power are the most striking. Some of the practices that outrage the West have been abandoned. Prisoners of conscience have been released. Psychiatric torture of dissidents has diminished sharply. More and more Jews have been permitted to emigrate.[8]

In the first half of the 1980s Andrei Sakharov was the symbol of Soviet repression. He was sent into internal exile in the city of Gorki by Leonid Brezhnev for criticizing the Soviet invasion of Afghanistan. Under Gorbachev he has returned to Moscow, resumed his position at the Academy of Sciences, traveled abroad and offered himself briefly as a candidate for the new Congress of People's Deputies.

In Brezhnev's day all this might have been dismissed as an effort to brighten the Soviet image in the West by gestures that please Western opinion while costing the Soviet regime nothing. The changes in the treatment of intellectuals who dissent from official policy and of Jews and other minorities who wish to leave, however, are merely a small part of much more sweeping changes that have taken place in Soviet political life since 1985.

The policy of glasnost has vastly expanded the range of officially tolerated public discussion. Proposals for far more sweeping economic changes than Gorbachev has himself en-

[8] Even more remarkably, emigrés have been permitted to return to the Soviet Union for visits and Soviet citizens without official positions have been allowed to travel abroad.

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dorsed have been aired, as have criticisms of the Stalin period as sharp as any ever made in the West. Freedom of association, once nonexistent, is beginning to be a part of Soviet life. Thousands of private clubs, discussion groups and informal associations have formed all across the country. Economic liberty is also growing; a small private sector has come into being.

The elections to the new legislative assembly in March 1989 were a small, tentative and unfamiliar step toward political democracy. Although the members of the new assembly were largely chosen by the Communist Party in the old way—secretly and arbitrarily—in a few places genuine contests took place.

V

With human rights, as with Europe and the military balance, it is important to understand what changes are *not* feasible. The Soviet Union will not, in the foreseeable future, become a Western-style country, with a capitalist economy, an open society and a democratic political system with several competing parties in which individual rights are safeguarded as zealously as in the West. This is not Gorbachev's aim. Russia has virtually no experience with Western institutions and practices. The values necessary to sustain them have feeble roots there. No doubt such a constellation of social, economic and political arrangements ought to be the long-term American preference for the Russians and the other peoples of the Soviet Union; it ought to be the ultimate American goal for every country. It is not realistic, however, to expect it to be achieved soon in Russia, and it is mistaken, indeed counterproductive, to dismiss as insignificant those developments that fall short of making that country a Western democracy.

What is realistic to expect of the Soviet Union is a country that, while still governed in an authoritarian manner, permits religious freedom, allows its citizens to emigrate and to travel, tolerates a private economic sector, refrains from intruding into every corner of social life and enshrines some fundamental rights in effective legal codes. There are, after all, many such countries in the world, some of which are allied with the United States.

These friendly authoritarian regimes, it should be noted, are not admired by all Americans. Since Chile, Taiwan, South Korea and the Philippines have been subject to U.S. criticism

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for undemocratic practices, it is hardly to be expected that even a more liberal Soviet Union would escape censure in the United States. Until the Soviet Union measures up to American standards of internal governance, therefore—and that time is far away—human rights will continue to be an issue in Soviet-American relations.

Indeed, the rights of Soviet citizens may become a much more complicated part of the Soviet-American conflict than it is today if it becomes entangled with an issue of growing importance and explosive political potential in the Soviet Union—the national question.

The Soviet Union is a multinational state. Moscow dominates the non-Russian nationalities, which range from the Baltic peoples in the northwest to the Christian Georgians and Armenians in the Caucasus to the Muslims of Central Asia.

The Gorbachev era has seen more open and extensive displays of nationalist feeling and activity than at any time since the 1920s. As Moscow has loosened the reins of authority, the non-Russian peoples of the country have taken the opportunity to express their own grievances and press their own causes. In the Baltic republics the Lithuanians ostentatiously celebrated their national day in defiance of a long-standing Kremlin prohibition; the Latvian Communist Party endorsed a program that amounted to a demand for autonomy; and a new "national front" was established in Estonia that was, in effect, a political alternative to the Communist Party. The Estonian parliament has called for "sovereignty" within the Soviet Union, and the council of an independent mass movement in Lithuania has gone even further, endorsing the ultimate aims of independence and neutrality.

In the Caucasus the status of the small, predominantly Armenian enclave in Azerbaijan called Nagorno-Karabakh provoked demonstrations and violence inspired by nationalist sentiment. The Armenians demand its transfer to Armenia; the Azerbaijanis demand that it remain part of their republic. Armenians in Nagorno-Karabakh, as well as in Armenia itself, staged massive strikes during 1988. There was violence between the Christian Armenians and Muslim Azerbaijanis that led to hundreds of deaths and the flight of thousands of people from their homes.

Gorbachev has in one sense been fortunate: the nationalist turmoil that has occurred has thus far posed little threat to the dominant position of the Russians in the Soviet Union. The

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Baltic peoples are too small numerically to mount a serious challenge. The Armenians and Azerbaijanis are motivated by bitterness and anger at each other; their protests initially lacked an anti-Russian cast, although over time some of their anger was directed at Moscow for not resolving the conflict. But there are signs that other, more dangerous nationalist discontents are brewing. If they should erupt in the non-Russian Slavic republics—Byelorussia and, above all, the Ukraine—this would be extremely dangerous for the regime, whose power rests on an unspoken bond of solidarity among all the Slavic peoples.

With the rise of nationalist political activity in the Soviet Union, the question of human rights has taken on a new dimension. In the previous decade the regime could treat the issue largely as a matter of foreign policy. Dissidents and would-be emigrants were indulged, if at all, in order to produce goodwill in the West. Nationalist stirrings, however, have the profoundest possible domestic consequences; they call into question the very structure of the Soviet state. They pose a stark dilemma, to say the least, for Gorbachev and his associates. Greater liberty, the leaders are apparently persuaded, is necessary for the social and economic health of the Soviet Union and even its military power; but greater liberty may undermine the very foundations of the union of Soviet republics.

Nationalism in the Soviet Union will also pose a dilemma for American policymakers. It will be difficult to ignore national movements there, especially when demonstrations staged almost anywhere can be seen the same day on television screens the world over. The non-Russian peoples of the Soviet Union, moreover, have claims as strong as any who have enlisted Western sympathies in the past. Armenians and Georgians have longer histories as self-conscious nations than the Russians themselves. If Poland is entitled to genuine self-determination, why should this be denied to Lithuania?

Yet the national question is an extraordinarily sensitive one for the Russian leaders of the Soviet Union, and an issue, as well, over which other countries have little leverage. Most Western governments are likely to prefer to ignore it, and this may well be the prudent diplomatic course; but Western, and especially American, publics may insist on making it a central issue in East-West relations, just as the Soviet government's

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treatment of dissidents and would-be emigrés was forced onto the agenda in the 1970s.

VI

A conflict as intense and long-standing as the cold war will not end without effort. One reason it has proved so bitter and so durable is that it has had more than a single source. The political rivalry in Europe and elsewhere, the competition in armaments, and the deep differences between the United States and the Soviet Union concerning human rights have reinforced one another, and together created the hostility and mistrust of the last forty years. The present stage is promising precisely because changes are taking place across the board of Soviet-American relations, which together can have a far more powerful effect than any could have alone.

The ultimate source of these changes, the master key to ending the cold war, is the process of internal reform that Mikhail Gorbachev has begun in the Soviet Union. It is these reforms that make the current phase of Soviet foreign policy at least potentially something other than merely an effort to secure a breathing space before a resumption of the mortal rivalry with the West. What is now occurring within the Soviet Union has opened the possibility of a new era in international relations. This raises the question of whether the United States and the West should expressly favor the Gorbachev reforms and, if so, whether the members of the Atlantic alliance ought to provide active support for them.

Some reforms are more attractive than others to the West. Glasnost and the movement toward more democratic political practices are appealing not only because they promote Western values but also because they contribute to a less belligerent, more accommodating, more dependable Soviet foreign policy.

The gains at which the Gorbachev reforms are aimed are economic as well as political. The leadership's goal is to make the Soviet Union a modern, powerful state in economic terms. The United States has no interest in fostering a Soviet Union that is the economic equal of the West; that outcome, however, is not in prospect. Gorbachev's Russia is not about to become a Slavic Japan or a multinational version of Germany. The achievable goal of the economic reforms is much more modest: improving the standard of living for the average citizen and keeping the gap in productivity and technology with the West from widening further. These goals do not threaten the United

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States, and unless Gorbachev can make progress toward achieving them, the political changes that he has sponsored—in which the West *does* have an interest—may be in jeopardy.

Should the United States help these reforms along? We should not try to hinder them, and we should be prepared to accept broader Soviet participation in the international economy. To this the West Europeans, and especially the West Germans, are already firmly committed. The help that the West can usefully supply is, however, limited. Soviet success or failure depends on whether sweeping reforms occur in the way the Soviet economy is organized and operated. Here other countries do not have major roles to play.

The question of Western help is far more pertinent to Eastern Europe. Substantial economic and political changes congenial to the West are more likely there, in the short term, than in the Soviet Union. Such changes are the subjects of active discussion and negotiation in Poland and Hungary. If and when Eastern Europe releases its economies from the grip of planners, permitting wider private ownership and initiative and foreign investment, and if and when the countries of the region permit genuine public participation in the institutions of governance and the sharing of power with those outside their communist parties, the United States and its allies ought to consider providing the substantial economic aid needed to make reforms work.[9]

In Eastern Europe, as in the evolution of the military balance and in human rights, there is no fixed point, no line of demarcation at which the cold war can be declared definitively over. The ending of the cold war is a process, not an event. Thus the conflict will not end with either a bang or a whimper. It will probably not end in a way that can be readily noticed. But the developments necessary to reduce its intensity and its importance are clear, and they have begun. If they go far enough, then this great global rivalry, which has dominated international politics for four decades, can finally end.

[9] See Michael Mandelbaum, "The United States and Eastern Europe: A Window of Opportunity," in William E. Griffith, ed., *Central and Eastern Europe: The Opening Curtain?*, An East-West Forum book, Boulder, Colo.: Westview Press, 1989.

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Richard K. Betts

NATO'S MID-LIFE CRISIS

Is NATO stumbling toward impotence, sliding back to business as usual or being dragged to the brink of peace? A gambler would be hard-pressed to call the odds. In the wake of the signing of the Intermediate-range Nuclear Forces Treaty and President Mikhail Gorbachev's announced unilateral plan to withdraw Soviet forces from Eastern Europe, various observers argue the first and the last of these alternatives. The middle one, the more prosaic of the possibilities, has been underestimated. Far more than is admitted by many breathless commentators worried about the implications of the INF treaty, there are powerful reasons to expect no essential change in the constitution or operation of the alliance.

Continuity remains the best bet for the alliance's future course, although the odds of things remaining constant are the lowest in several decades. As it approaches middle age, the alliance finds itself near a turning point, confronting forces that could alter its basic terms of reference. Surprisingly, the most significant of these divisive forces are not changes in the balance of military power or collapse of NATO's internal consensus—the problems that excited the most worry among traditional Western elites and strategists after the INF agreement was announced. Rather they are political initiatives from Moscow that raise unprecedented possibilities for negotiated change in the East-West military confrontation. The INF treaty is more significant for how it reflects Moscow's new stance than for how it changes the quality of NATO's deterrent. The Soviets continue to confound us by giving "yes" for an answer.

For the foreseeable future it is virtually inevitable that the West will remain the reactive side. None of the leaders in the principal countries of the alliance are as politically radical, visionary or adventurous as Gorbachev. NATO is also a genuine

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coalition of fractious democracies, with all the attendant obstacles to rapid decisions and major changes of course.

The challenge for NATO now is how to keep itself in shape while reacting sensibly to Soviet initiatives. Keeping in shape means avoiding damage to the organization's military position, which could be squeezed between zealous hawks forcing too much attention on controversial strategic problems and enthusiastic doves arguing that excessive devotion to deterrence or defense will block peace rather than guard it.

II

What is most remarkable about the Atlantic alliance is its durability and success. NATO has lasted 40 years with no failure in its mission of deterring Soviet aggression and negligible change in the number and commitment of its members. Episodic controversies about strategic doctrine have agitated the organization but have done no mortal damage. Professional strategists or diplomats often wring their hands about events or trends that suggest disarray, but considering the difficulties that history would lead us to expect in a collaboration of so many states over so long a time on so momentous a matter, these problems have been surprisingly well managed.

The alliance is also quite institutionalized. Its structure and consultative process have been thoroughly bureaucratized, and declarations of shared interests, objectives and commitment to cooperation have been ritualized. All of this creates a brake against change in the face of occasional diplomatic or strategic strains. Just as this powerful inertia makes it difficult to mount a lasting collective push to fix long-standing problems in military posture, it also makes it hard for strains to break up the alliance. Pure strategists see this as cold comfort, but it is important to remember that the breadth and solidarity of alliance membership are the source of far more of its military power than is any particular weapon deployment or incremental boost in defense spending.

Much of the reason for such continuity has been the essential stability of the East-West conflict in Europe. The bipolar division of the continent established extraordinary clarity and balance in the East-West confrontation. The apparent Soviet threat remained both constant and, with the exception of the months after the outbreak of the Korean War and the three Berlin crises, moderate. It never receded far enough to make the purpose of the alliance dubious, yet it never became acute

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enough to put the organization to a real test of whether it could hold together in the face of war. The last serious challenge, the third Berlin crisis, is now well over a quarter-century in the past.

This stability is coming into doubt. Gorbachev's initiatives have opened a Pandora's box of possibilities for change both within the Soviet empire and in relations between East and West. It is hard to overstate how radical and astounding to conventional wisdom recent Soviet developments are—or how risky they could turn out to be.

Gorbachev's political adventurism could succeed, fizzle or boomerang. The major forces of change he has unleashed may ultimately prove beyond Moscow's capacity to control. One possibility, at the extreme, is the eventual resolution of the East-West confrontation in Europe. It is foolish to bank yet on the coming of this millennium, but it is equally foolish to write off current Soviet moves as a grand, ingenious disinformation campaign.

It also helps to rethink the basics that NATO's happy inertia has encouraged us to forget. First, no alliance lasts forever; it can only hope to outlive the threat that inspired it. The original rationale for containment in the late 1940s was that it would be a temporary policy to keep the U.S.S.R. within bounds until it "mellowed." If NATO is not to expire before the Soviet threat does, it will have to recognize the point at which Moscow has mellowed sufficiently and conditions are ripe for resolving the animating conflict. Second, nuclear deterrence is the least unsatisfactory way to underwrite stability in the East-West military confrontation, but it too cannot last forever. It may work for fifty or even a hundred years, but eventually something is likely to go wrong. The best hope is to find a way out of the political conflict sometime before that happens.

There is no way to recognize and accept Soviet mellowing without risk. There would be no problem only if Gorbachev were to preside over military demobilization in the U.S.S.R., disestablish the Communist Party and run up the white flag over the Kremlin. Short of such abject surrender, Western leaders will have to make risky judgments about how far to go in accommodating a threat that is still hefty, despite political retreat or military decline, either of which could prove temporary.

There is a more troublesome prospect, which only the surprising radicalism of recent events in the U.S.S.R. raises from

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the fanciful to the possible. That prospect is that events which might be construed as success in terms of NATO's principal values, indeed success beyond Western statesmen's wildest dreams, could turn out to be quite dangerous to Western security. One such event would be the collapse of the Soviet empire; another would be the collapse of the Soviet Communist Party. Though neither possibility is yet probable, neither is any longer in the realm of futuristic fantasy.

Real independence of the East European countries must be desired by the West, but it would challenge the bipolar stability that has characterized Europe since 1945. It need not produce disorder of the sort we think of when recalling the origins of World War I, nor would it have to revivify the German Problem, nor would it necessarily remove the rationale for peacetime engagement of American military power in Europe. There would be much less blocking the paths to all three such hypothetical developments, however, and any one of these would make Europe more dangerous than it has been since World War II.

If glasnost proceeds to the point that the legitimacy, cohesion or authority of the Soviet Communist Party becomes too damaged to recover and real political pluralism takes over, nothing automatically ordains that liberalism will replace Leninism. Bad anticommunists benefit from glasnost as well as good ones. Especially if glasnost gets out of control while perestroika fails, discrediting both Marxist and Western capitalist models, it is not impossible to envision the rise of a nasty, xenophobic nationalism, or even some Russian variant of fascism. That could be the worst case, making us all nostalgic for the good old days of communism.

In the face of all these uncertainties NATO needs enough flexibility to negotiate, but it also must keep its powder dry. For the most part this will entail resisting impulses to further change in the theater nuclear realm and overcoming barriers to change in the conventional military arena.

III

A specter is haunting Europe, the specter of denuclearization. Some on the political left of center welcome the possibility that military doctrines and forces could be compelled to rely less on escalation, but the traditional mainstream of elite thinking sees such a development as only serving Soviet interests. The strategists most frightened by the specter of denucleari-

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zation, however, sound more like Chicken Littles than like sober hawks. They exaggerate how novel the crisis of faith in nuclear doctrine is, and by trumpeting aspects of the problem that cannot be fixed they risk making it a self-fulfilling prophecy.

What too many alarmists fail to appreciate is that the specter did not arrive with the INF treaty, but has been prominent for thirty years. Long ago, critics agonized that the emergence of Soviet retaliatory power made reliance on nuclear escalation suicidal, unbelievable and therefore strategically foolish. Some clung to U.S. superiority, despite Soviet capacity to inflict unacceptable damage, as salvation for the logic of NATO's doctrine. But that prop was gone by the beginning of the Strategic Arms Limitation Talks (SALT) twenty years ago. Compared to those fundamental changes, recent fiddling with theater nuclear forces has not added a remarkable amount to the difficulty of maintaining a veneer of rationalism over NATO's strategic doctrine.

Criticism of the INF treaty hinges mainly on the subjective argument that it removes a symbolic linkage between the tactical and strategic levels of the U.S. commitment to nuclear escalation. NATO managed quite well without medium-range nuclear forces for most of its history; such weapons were actually operational for only a few years. No gap in capacity to cover targets and execute wartime missions accounted for NATO's December 1979 dual-track decision to deploy medium-range missiles (Pershing 2s and GLCMs), and the treaty actually removes hundreds of Soviet targets (SS-20s). The only option compromised is that of short-warning NATO attack on command and control facilities in the western U.S.S.R., an option Moscow feared, but which was no part of the motivation for the deployment decision. When critics fret about symbolic rather than substantive military problems they do more to degrade deterrence gratuitously than to guard it. If the military balance matters, why not revel in the concrete military advantages offered by the accord?

In objective terms the treaty bolsters the credibility of flexible response in four appreciable ways:

—Soviet deployment of new SS-20 missiles in the 1970s was allegedly much of the reason that Pershing 2s and GLCMs were needed. But not only did the INF treaty get rid of all those SS-20s (as well as ones outside Europe), it took out all the other intermediate-range forces that the Soviets

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had deployed since the 1950s—many hundreds of SS-4s and SS-5s.

—The actual effect of treaty reductions on the balance of forces is roughly four to one in NATO's favor, in terms of warheads.

—In leaving French and British nuclear forces unconstrained, the treaty gives the Western alliance an additional edge in total weapons targeted against the Soviet interior. Moscow now has to counter the strategic forces of four separate countries (the United States, Britain, France, China) with its long-range forces, while at least three of those countries can concentrate their forces single-mindedly on the U.S.S.R.

—The treaty leaves unmolested several thousand U.S. tactical nuclear weapons on the ground in Europe. There have been significant reductions in that stockpile, but not because any treaty required them.

The INF treaty could turn out to have a more destructive effect, however, if it creates a momentum toward more far-reaching removal of tactical nuclear weapons. There is no reason that this need happen. By slaking the political thirst in the West for some sort of diplomatic progress, the treaty should reduce the clout of those willing to take risks for arms control, relative to that of those preaching caution. Negotiations for ambitious reductions of intercontinental forces also push further initiatives for theater nuclear arms control off center stage.

Some argue that a Strategic Arms Reduction Talks treaty, especially after the experience of the Reykjavik summit, will spur the delegitimation of nuclear weapons. It is certainly true that, given the probable psychological effect, the radical reductions of a START treaty will do nothing to help flexible response. Objectively, however, it is not clear why parity at half the current number of launchers is worse for flexible response than parity at the level of SALT I. The terms of the emergent START treaty are likely to leave us with about fifty percent *more* warheads than we had when SALT I was concluded. (Since the tentative accord reportedly undercounts bomber weapons by a large amount, the United States could be allowed over 8,500 real warheads, compared to 5,700 at the conclusion of SALT I.)[1] Moreover, cutting Soviet launchers in half, at the same time

[1] Walter B. Slocombe, "Force Posture Consequences of the START Treaty," *Survival*, September/October 1988, pp. 403–405; Raymond L. Garthoff, *Perspectives on the Strategic Balance*, Washington: Brookings Institution, 1983 , p. 7.

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that Britain and France are allowed radical increases as they put multiple warheads on their missiles, will increase the West's collective advantage in warheads.

In any case, the combination of effects should encourage immobilism in the theater nuclear arena—which, until other things happen, is good. The several thousand U.S. tactical nuclear weapons that remain in Europe should not be reduced much further, at least in the absence of an agreement that substantially reduces the Soviet conventional military threat. Tactical weapons, even if they are reduced, could be made more capable and reliable through modernization, but forcing modernization of short-range forces risks provoking a political imbroglio in Germany that could deplete NATO strength more than tactical nuclear weapons modernization would add to it. The same is roughly true for proposals to compensate for Pershing 2 and GLCM removals by backdoor deployment of nuclear sea-launched cruise missiles.

The fabric of flexible response has frayed over the years because its underlying logic is weak; it is periodically patched and propped up because nothing better is available to replace it. Therefore, the best way to retard the doctrine's decline is to avoid any more elite handwringing and public debate than necessary. The best way to deal with the underlying weakness of the doctrine is to reduce the Soviet threat that has animated it—the hostility of Moscow and apparent superiority of its conventional military machine—before the patchwork collapses.

The possibility of lessening the Soviet threat now seems less remote, given the Kremlin's unilateral reductions, initiatives for serious conventional force negotiations and apparent willingness to make asymmetrical concessions. The danger here is Soviet attempts to push backdoor denuclearization: for example, by inducing the West to trade its dual-capable aircraft for Warsaw Pact tanks in a partial bargain that does not significantly reduce the Soviet conventional edge. Under certain conditions such a trade might offer some attraction,[2] but withdrawing large numbers of dual-capable aircraft would make it impossible to avoid modernization of other short-range nuclear weapons without giving greater substance to the specter of denuclearization. The danger of backdoor denuclearization,

[2] See, for example, the proposal in John D. Steinbruner, "The Prospect of Cooperative Security," in Steinbruner, ed., *Restructuring American Foreign Policy*, Washington: Brookings Institution, 1989, pp. 107–116.

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however, is quite well recognized, and is no greater than the opposite danger that Western immobility in deciding on an acceptable conventional balance may forfeit the opportunity to make the balance more favorable.

IV

Loose talk, suggesting that American withdrawals of troops from Europe are likely, has again filled the air. This is understandable (especially since Gorbachev's announcement of Soviet withdrawals) and it is useful for prodding the allies—just as the Mansfield and Nunn amendments were beneficial as long as they failed by a few votes. Without additional and massive Soviet withdrawals, however, it is hard to imagine that initiatives for anything more than a token pullout of a few thousand Americans will survive strategic criticism or marshal a political consensus.

Partial withdrawal would fall between two stools. There might be logic in removing and demobilizing *all* the U.S. troops in Europe. With population and GNP well in excess of those of the Warsaw Pact, Western Europe is materially capable of defending itself. If the United States decided that Europe should pay its own bill, and ended its commitment to NATO, it could save at least half its defense budget and wipe out its annual federal budget deficit. Short of such a radical step, however, major military withdrawals from Europe would make no sense.

While there is now wide disagreement on the status of the East-West military balance, few responsible analysts maintain that NATO has excess capability, or that major U.S. withdrawals would not cripple the possibility of mounting a successful conventional defense. The possibility of a successful defense may be dubious now, but why guarantee defeat?

The worst of both worlds would be to bring half the troops home: the conventional pillar of flexible response would be wrecked, but the United States would still be wasting the expense of keeping a large number of forces there with scant plausible mission beyond planning a repeat performance of the retreat to Dunkirk. Moreover, no money would be saved unless the troops withdrawn were demobilized. Yet many of the anti-Atlanticists recommending withdrawal are also hawks who want to keep U.S. military power at as high a level as possible.

Many doves, however, are most interested in reducing the profile of nuclear weapons in NATO's defense plans. If nuclear

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reliance is to go down without giving up deterrence altogether, most of them admit that conventional power has to compensate. They disagree over whether the West needs more forces, on how many are needed and of what type they should be, but few assert that we already have more than necessary. Therefore, it is hard to imagine the political coalition that could emerge between pro-military hawks and antinuclear doves to override the conservative impulse to keep the U.S. Seventh Army intact in Germany.

It is even harder to imagine any significant NATO buildup. The alliance has periodically made efforts to increase its forces—in 1952 with the Lisbon plan, in the early 1960s with the flexible response buildup, and in the late 1970s with the Long-Term Defense Plan—but the efforts always ebbed before improvements went far enough to shake the traditional assumption that the East was militarily superior on the ground.

There is one important difference this time. In the past many European governments resisted pressure to develop conventional power, not just because of the financial burden, but because they feared raising the specter of denuclearization by giving Washington an excuse to decouple its nuclear deterrent from European defense. Today, antinuclear sentiment among European voters has shaken their governments' traditional blithe preference for the strategy of deliberate nuclear escalation.

But this difference in political constraints is not enough to make a difference in policy. Just as Americans easily agree that their federal budget should balance, yet would rather forget about the problem than cut spending or raise taxes, Europeans may now more easily agree that conventional forces should balance but are not likely to do anything painful to make it happen. If there was any reason to doubt this before the end of 1988, it was washed away by Gorbachev's gambit of unilateral retrenchment. There is no way that West Europeans will believe that they need to do more militarily when the Soviets are doing less. Indeed, it will be a neat trick to keep the allies from cutting their defense budgets.

V

These crosscurrents, combined with the hopes engendered by Gorbachev's activism, make conventional arms control especially alluring. It is important, however, to avoid confusing the economic and political incentives (which argue for massive

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conventional cuts) with military benefits (which are more likely to accompany smaller reductions).

The military goal of arms control is strategic stability. In principle this means a balance of forces that makes it impossible for either side to defeat the other if war were to break out. But in practice, nations tend to identify stability with whatever makes their own military position safer, and what one nation does to make itself less vulnerable the other often views as a heightened threat. This leaves two ways for NATO and the Warsaw Pact to reach an accord.

The first would be for either power to decide that economic and political benefits of agreement take precedence, and to accept some implicitly greater risk of defeat in the event of war. If an accord is thought to reduce the danger that war could occur, or if economic problems are deemed more pressing than military threats, this could be a reasonable gamble. The more appealing alternative would be reductions that expand *both* sides' margin of military safety. This could happen if the treaty trimmed offensive weapons while keeping defensive ones, creating a technological situation of "defense dominance." Both sides would have to agree that certain capabilities (for example, tanks, long-range aircraft, and bridging equipment) are clearly more useful for attack than for protection.

Against this background, three obstacles to a conventional forces accord loom. None of them are necessarily insurmountable, but the odds of overcoming all are daunting.

First, Moscow is unlikely to be as generous in meeting Western terms on the conventional balance as it was on INF. Although Soviet acceptance of inequities in the zero solution was surprising, it was feasible because, despite all the sound and fury about them, medium-range missiles were not really very important. In the context of all the other nuclear forces surrounding them in the superpower strategic equation, disproportionate Soviet concessions in that dimension did not threaten to spell the difference between victory or defeat in war. The importance of the Euromissiles was far more symbolic than substantive. Armored divisions and wings of attack aircraft, on the other hand, are very important, and in more than a symbolic sense. Inequities in that dimension could indeed be critical to the outcome of war. Gorbachev could afford unilateral concessions to whet NATO's appetite, but can he afford to sate it? In March, Foreign Minister Eduard Shevardnadze proposed three-stage reductions aimed at achieving equal ar-

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mament on both sides, ultimately at levels more than a third lower than at present. This is promising, but the Soviets also insist on including air and naval forces, which NATO so far refuses to do. Other details of what forces would be counted were not spelled out by Shevardnadze.

Second, it will be much harder to reach a politically sturdy consensus of judgments on precisely which configurations and dispositions of conventional forces increase stability. Given the huge uncertainties about the nature and interaction of complex military forces, it is impossible to develop confident estimates of what relative capabilities are sufficient for successful attack or defense. Among American analysts there is a tremendous disagreement about which variables are central and which peripheral, what the data really are, which scenarios are probable or fanciful, what strategies and stratagems are practical, what models of combat dynamics should be applied to the data, and how reliable any approach is for estimating the outcome of a war.[3]

The theoretical solution—systematic discrimination against offensive forces—has been endorsed by the Soviets but will be hard to implement. All nations' military establishments will resist demands for radical reorganization. While distinctions exist, they are sometimes blurry and inconsistent, and depend on how different types of capability are integrated in strategy.[4] For example, surface-to-air missiles and antitank munitions are among weapons most often considered defensive. In 1973, however, both aided Egypt's attack by shielding advancing

[3] For the range of issues see Stephen D. Biddle, "The European Conventional Balance: A Reinterpretation of the Debate," *Survival*, March/April 1988; Paul K. Davis, *The Role of Uncertainty in Assessing the NATO-Pact Central Region Balance*, RAND Corporation, April 1988; Richard K. Betts, "Conventional Deterrence: Predictive Uncertainty and Policy Confidence," *World Politics*, January 1985; James Blaker and Andrew Hamilton, *Assessing the NATO/Warsaw Pact Military Balance*, Congressional Budget Office, December 1977; and the exchanges among John Leppingwell, Joshua Epstein, John Mearsheimer, Barry Posen and Eliot Cohen in *International Security* over the past two years.

[4] See Michael Howard, *War in European History*, Oxford: Oxford University Press, 1976; George Quester, *Offense and Defense in the International System*, New Brunswick, N.J.: Transaction Books, 1988; Jack S. Levy, "The Offensive/Defensive Balance of Military Technology," *International Studies Quarterly*, June 1984; Jack Snyder, *The Ideology of the Offensive*, Ithaca, N.Y.: Cornell University Press, 1984, and "Limiting Offensive Conventional Forces: Soviet Proposals and Western Options," *International Security*, Spring 1988; and Stephen Van Evera, "The Cult of the Offensive and the Origins of the First World War," *International Security*, Summer 1984. For arguments criticizing the deterrent weakness of defensive doctrine and strategy see Samuel P. Huntington, "Conventional Deterrence and Conventional Retaliation in Europe," *International Security*, Winter 1983–84, and Scott D. Sagan, "1914 Revisited: Allies, Offense, and Instability," *International Security*, Fall 1986.

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ground forces against the aircraft and tanks that Israel deployed as defensive firepower.

The third obstacle to massive reductions will exist even if credible defensive dominance can be established. That is a potential inconsistency between the logic of arms control and negotiation, which aims to reduce military capabilities significantly and in a mutually acceptable way, and technical military stability. Why bother with negotiation if it does not reduce military burdens? And how far can reductions prove mutually acceptable if they do not tend in the direction of parity? At first glance, movement toward parity at lower levels of forces should be a victory for NATO. Under many circumstances this could turn out to be true at second or third glances as well. However, parity is not progress under all circumstances.

More balance in military capability does not automatically improve military stability if it comes at the expense of absolute density of forces along the defender's line. At present, most observers would credit NATO with the capacity to cover the central front with at least close to acceptable force-to-space ratios, but with dubious capacity to deploy sufficient operational reserves to back up the forward defense line. If the net effect of arms control were not only to lessen the disparity in ground forces between East and West, but also to reduce significantly the number of forces in place, NATO might be harder pressed to cover the front. Moreover, as the defensive party, NATO would have less freedom to leave major sectors lightly manned in order to concentrate forces in particular areas. Or, if the forward line were thinned out to keep some forces in reserve, it would become easier for Soviet attackers to find a gap through which they could punch with far less firepower than they would need now.

Thus the political and economic logic of aiming for major reductions could risk degrading technical military stability. Similarly, if the risk of reduced stability is modified by keeping a large military capability outside the theater but available in an emergency to move in and thicken up a defensive line, the military benefit could vitiate economic savings. Restationing ground forces at home, and buying more sea and air transport to be able to redeploy them to Europe, would cost more than keeping them in Germany.

More reliance on mobilization could also be destabilizing in a crisis, by putting greater pressure on decision-makers to react quickly to an ambiguous warning and begin marshaling military

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forces. For example, if NATO and the Soviet Union both deployed, say, 20 divisions near the central front, and the Soviets moved in an extra five divisions for what *might* be "defensive" purposes (to sit on rambunctious allies), NATO might be able to react cautiously and wait to assess the move before mobilizing in response. If both sides had only five divisions normally in place, however, the addition of five more would be much more immediately alarming. Rather than changing the force ratio from 1:1 to 5:4 as in the first example, the same Soviet move in the second instance would change it to 2:1. Change in this direction would move in the direction of conjuring up the spectral "1914" scenario of mutually reactive escalation.

It is ironic, then, that many of the most ardent arms controllers are also those most interested in crisis management and avoidance of escalating alert situations. There may be ways, through combinations of various schemes and conditions, to avoid these dangers, but no way yet stands out clearly enough to allow political leaders to move quickly toward a dramatic accord that is not very vulnerable to military criticism. And if the process of negotiation is overly fastidious on all points, the odds of achieving agreement plummet.

VI

There are powerful reasons for both speed and caution, depending on what the primary aim of the negotiation really is going to be: to stabilize the East-West confrontation militarily, or to move toward resolving it politically. And if the latter course is chosen, on what terms will it be sought? The Soviet leader may know where he would like to go. NATO has not even begun to figure out this epochal question.

The case for urgency comes from pressures on both Mikhail Gorbachev and George Bush. If the Soviet leader continues indefinitely with little to show for his high-rolling and free-wheeling initiatives, his chances of staying in power or on the same course will decline. If the American leader does not give up some military power as part of a deal for further reductions in Soviet forces he may wind up giving up just as much, but for unilateral economic reasons. President Bush may ultimately find defense budget cuts the path of least resistance to reining in the deficit—and if he does not, Congress, which has already cut the defense budget every year since 1985, is likely to do so. If military programs are to be pinched anyway, why not get some diplomatic credit?

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If, however, "business as usual" triumphs over eagerness for a breakthrough we might get lucky and see the Soviets capitulate abjectly, as they did in accepting the zero solution for INF. It is nearly as likely, however, that a position of Western intransigence would aggravate the strains that already threaten the internal political consensus of the NATO alliance. Gorbachev's military concessions might succeed in splitting NATO better than Brezhnev's SS-20s did.

The case for caution comes from doubts about what tactics are effective for inducing concessions, and whether we can count on Western cooperation to secure Soviet amity. Some Sovietologists believe that Gorbachev's boldly accommodating initiatives were forced by the combination of Western pressures and Soviet economic straits, and that concessions only ease Moscow's need for retrenchment. Whether Gorbachev or his policies survive, in turn, may not be determined by Western responses, however forthcoming they might be. Yet the Western concessions would remain pocketed by whatever leadership might take over in the Kremlin.

Given such conflicting uncertainties, the best course for NATO is a three-track approach. One track is to reciprocate Gorbachev's ten-percent reductions with token cuts fairly soon, to give him some cover if he wants to rationalize further cuts, and to blunt the influence of Western critics who charge that NATO is recalcitrant. Such a gesture could coincide with unilateral shrinkage of military programs that might be anticipated anyway as a result of budgetary stringency. For example, the United States might demobilize one of the U.S.-based divisions slated for reinforcement of NATO. Or, Washington might declare that the current planned expansion of the navy to 15 aircraft carriers will be cut back to 14.

The second track would be formal negotiation. In these talks the alliance should stick with cautious demands for disproportionate reduction of Soviet armored forces. This would test what opportunity there might be to exploit Soviet desperation while buying time for progress on the third track: NATO's self-examination on the questions about ultimate objectives. Until we have a clearer idea about the latter, only small cuts in NATO ground forces in Germany should be considered. This contradicts conventional wisdom, and could be especially unpopular in Germany, but as long as military stability remains a criterion, the costs of removing forces from the scene exceed the benefits.

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Substantial demilitarization of the area should be tied to a substantial political settlement.

Avoiding large cuts in forces in Germany could spur a deal rather than impede it. Anxiety about the ability of NATO's armed forces to cover the front is part of the reason for some Western experts' argument that any reductions must be at least five-to-one in NATO's favor. If cuts were concentrated in the reinforcing units based outside the area, it would be reasonable to accept a lower, more negotiable ratio. NATO should not make the perfect military solution (overall conventional equality) the enemy of the good (a less unfavorable balance than would exist without arms control). The alliance's official opening position probably errs in that manner, by focusing on categories of gross Soviet predominance, such as numbers of tanks and artillery, and demanding reduction to equal levels. We should be willing to trade some air power for Soviet ground force cuts that bring the balance closer to equality. Reductions in non-Soviet Warsaw Pact forces should be of secondary interest at most (some of those forces, such as Poland's, may be hardly more of a threat to NATO than to the U.S.S.R.).

Unless the West remains lucky and Gorbachev continues to drive easy bargains, negotiation is unlikely to produce more than marginal reductions. But this is as it should be until Moscow makes clearer its interest in fundamental military disengagement, and until the alliance moves on the third track and decides the terms on which it should accept a radical change in the strategic structure of Europe. We should determine what military arrangements we need according to the kind of world we want, not the other way around. Massive withdrawals of the superpowers' forces from the region are hard to imagine without far more independence for Eastern Europe—and for America's allies.

Such events could soon make the traditional bipolar division of the continent obviously anachronistic, and NATO would degenerate into an empty formality. One obvious problem with that scenario is that if the Soviet threat reemerges, it might be difficult to reintroduce American military power quickly. Leaving that aside, settlement of the cold war could as likely prove to be dangerous as wonderful. NATO has enjoyed four decades of stability based on controlled tension. Freedom of maneuver would put many things up for grabs in new ways.

Can any but the most amoral strategist endorse preserving military stability and the division of Europe if the alternative is

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more political freedom and a lowered economic burden for all? Can we afford to wait for a more congenial Soviet leadership than Gorbachev's to come along and offer a more favorable resolution of Europe's security problem? Probably not.

It will be a heroic enough feat, however, for NATO to overcome inertia and bring itself to any imaginative reformation of policy. That is why continuity remains a good bet. But leaders should recognize that if the potential in Gorbachev's radicalism pans out, the alliance may face a choice which offers a higher payoff than business as usual, but also higher risk. This course may be more desirable than the status quo, but it may also be less stable.

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Adlai E. Stevenson
Alton Frye

TRADING WITH THE COMMUNISTS

In Moscow bold minds are asking where Marxism-Leninism went wrong. Were its premises flawed? Was the execution inept? Communist governments are experimenting with the answers. Americans would do well to pose similar questions about U.S. economic policy toward these nations. Are the premises correct? Do changes in their policies require new assumptions and changes in our policy?

The candor of Soviet self-criticism demands a comparable dose of introspection on our part. We have never expected mea culpas from the Soviets, and we have always prided ourselves on a capacity for self-correction. Yet the United States has been slow to acknowledge evident shortcomings in its economic policy toward the Soviet Union and other communist countries.

Policies framed to deal with an expansionist imperial state driven by authoritarian ideology and marked by the sacrifice of its citizens' well-being to the appetites of its military establishment are not appropriate for a state being reshaped in the image projected by the architects of perestroika and glasnost. As evidence mounts that the reforms of Mikhail Gorbachev are real, the West is challenged to rethink its approach to the Soviet Union. If the international aggrandizement of Stalin and Brezhnev gives way to genuine restraint abroad and gradual democratization at home, it would ill serve the interests of the United States to play the implacable antagonist, blinded by preconceptions and paralyzed by inertia and timidity. The United States would begrudge the revolutionary changes in Soviet behavior which it had long demanded.

Even without such dramatic departures by Moscow, there is ample reason to reexamine Washington's policy. The United States could scarcely have blundered more often if it had

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followed a slapstick script. Over the past 15 years American policy has continually undercut its political objectives, harmed its economic interests and eroded its leadership in the Western alliance.

This pattern is partly attributable to the difficulties of dealing rationally with a state perceived as a powerful, atheistic enemy seeking world domination. Suspicious of Moscow's motives, Washington has not been inclined to give the Soviets the benefit of any doubt on important questions. U.S. laws still reflect an assumption that the Soviet Union reigns over a monolithic bloc of communist countries in a world divided by ideology and geography into two hostile camps. A fear of the worst—not always unrealistic—has blinded the United States to changes already made and failures self-inflicted. Consider the record.

II

The Jackson-Vanik Amendment to the 1974 Trade Act is the prototype of self-defeating policies. America's reverence for human rights led Congress to impose a link between free emigration from communist countries and the normalization of trade with them. Passed after protracted but unsuccessful bargaining between the late Senator Henry Jackson and Secretary of State Henry Kissinger, this measure effectively denied Moscow nondiscriminatory access to U.S. markets through the most-favored-nation status and access to credit facilities that a 1972 trade agreement pledged President Richard Nixon to seek. The law conditioned MFN, as well as government loans and guarantees for communist countries, on free emigration, subject to one-year waivers approved by Congress after the president reported a country's "assurances" of such emigration.

Jackson-Vanik was conceptually flawed, and it proved counterproductive in operation. By attempting to force Moscow to provide explicit public assurances regarding so sensitive a subject, the law failed on several counts.

It gutted the quiet diplomacy that had begun to yield significant increases in Jewish emigration. Under the Nixon Administration the number of emigrés leaped from barely 200 in 1968 to almost 35,000 in 1973. After passage of the Jackson-Vanik Amendment, the exodus fell sharply to 13,000 in 1975; emigration rebounded only as relations warmed during the SALT II negotiations, reaching 51,000 in 1979. After the Soviet invasion of Afghanistan in 1979 and the frictions of the first

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Reagan term, the number of Jewish emigrants plummeted to less than 900 in 1984. The conjunction of Gorbachev's accession to power as General Secretary and the overtures of Secretary of State George Shultz revived a more favorable trend. Obviously, the flow of Soviet exit visas depended on larger factors than one heavy-handed section of American trade legislation.

The Jackson-Vanik Amendment proved costly in economic terms when Moscow repudiated the 1972 trade agreement in response to what the Soviet Union perceived as an intrusion in its domestic affairs. While the trade potential of that accord is arguable, its demise meant an end to the Lend-Lease settlement laboriously negotiated as part of the package. The settlement called for the Soviet Union to pay back over $720 million in World War II loans from the United States, a substantially larger fraction of the assistance it received than Britain had repaid for similar aid. Moscow paid initial installments on that debt, but it suspended payments in retaliation for Jackson-Vanik. (The balance due remains $674 million.) At the same time an agreement between the Soviet government and the Export-Import Bank on credits, interest rates and repayment schedules also died aborning.

In addition, Jackson-Vanik caught all communist states in its web. It retarded the development of U.S. economic relations with East European nations, ironically ensuring their continued dependence on the Soviet Union. Even when MFN status was granted to Hungary and Romania, trade was impeded by the uncertainties associated with annual waivers under Jackson-Vanik and the congressional debates required by the law. Romania, the one nation where the law may have favorably influenced emigration policy, finally renounced its trade agreement with the United States, forsaking commerce to be rid of Jackson-Vanik's waiver procedures. Thus the law did not promote either the economic or security interests of the United States—or increase free emigration from the Soviet Union.

The Jackson-Vanik formula was shortsighted, but it is not the only such example. The outrage that Americans felt at the Soviet intervention in Afghanistan, and the urge to punish the aggressor, prompted President Jimmy Carter to impose the famous embargo on grain sales to Moscow. The exercise told more about the vulnerability of U.S. foreign policy to domestic expediency than it did about U.S. capacity to pressure Moscow by withholding grain. The grain embargo became a central

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issue in the 1980 presidential campaign, and within weeks after his election, Ronald Reagan lifted the ban. By 1983 the United States had entered a long-term grain agreement with the Soviet Union in which the Soviets agreed to certain minimum purchases every year. President Reagan pledged not to impose such an embargo in the future. By 1988 he was offering to subsidize grain sales to the Soviet Union.

The grain embargo highlighted Moscow's leverage as a market for American grain exports. U.S. farmers' dominance in that market diminished because Moscow turned to other suppliers, notably Canada and Argentina. Now that the Soviets have diversified their sources, there should be no illusion about future U.S. potential to exploit Soviet dependence on grain imports.[1]

The confused U.S. attempt to impede construction of the major gas pipeline between the Soviet Union and Western Europe in the early 1980s was no more successful. Weighty considerations were raised. Would the deal lead to excessive European dependence on the Soviet Union for indispensable energy supplies? Would the hard currency earned by Moscow feed its military machine? Were components supplied by the Europeans likely to convey advanced technologies to the Soviets that the West would be safer withholding? Posing these questions, however, should not have triggered Washington's rush to judgment and extraterritorial actions that provoked the 1982 crisis between America and its allies. Perhaps the best to be said is the affair enabled Shultz to begin his tenure at the State Department with a notable achievement by repairing damage the United States had done to relations with its allies.

The Western alliance has long struggled to prevent commerce from fortifying an adversary. Repeated attempts to segregate strategic from nonstrategic goods, to control reexports, to differentiate between communist and free world exports, to ascertain foreign availability of comparable items, to resolve jurisdictional disputes and a host of other such problems have shown how difficult it is to regulate exports with military potential, especially when many products have dual purposes.

[1] John P. Hardt and Kate S. Tomlinson, *An Assessment of the Afghanistan Sanctions: Implications for Trade and Diplomacy in the 1980s*, Report for the House Subcommittee on Europe and the Middle East, 97th Congress, lst Session, April 198l. This Congressional Research Service report was requested by Chairman Lee Hamilton (D-Ind.). See also Abraham S. Becker, *Economic Leverage on the Soviet Union in the 1980s*, The RAND Corporation, July 1984, R-3127-USDP, pp. 30–44.

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Much attention has been drawn to periodic violations of the export control procedures agreed upon by members of the Consultative Group and Coordinating Committee for Multilateral Export Controls (COCOM), which includes Japan and all the NATO countries except Iceland. One prominent episode involved the transfer to the Soviet Union of critical technologies manufactured by subsidiaries of Japan's Toshiba and Norway's Kongsberg Corporations.

The responsible governments addressed those violations as criminal offenses. Nevertheless, both firms became the targets of legislated sanctions in the United States. Such sensational transgressions have grave security implications, but they also obscure the general debilitation that an overloaded export control regime imposes on U.S. firms' trade in nonstrategic goods. According to the Department of Commerce in 1987 national security controls affected one-third of all U.S. exports of manufactures (other than military equipment). The slow-motion review of export license applications conveys the impression at times that Washington is more interested in emulating Moscow's notorious bureaucracy than in rectifying its chronic merchandise trade deficit.

For much of the Reagan Administration, export control policy was snarled in a struggle between the Departments of Defense, Commerce and State, and between the House of Representatives and the Senate. The experience was not edifying, either for native observers or for the allies we purport to lead. Many felt that the result was again to wash U.S. firms out of competition for international sales that other suppliers were ready and willing to make. The Reagan Administration finally took advantage of a deadlocked Congress to formulate a policy that still subjects U.S. export licenses to long delays occasioned by Department of Defense review.

III

These episodes illustrate the incoherence of U.S. policy. Sour experience makes a powerful case for change. That change should begin with repeal of the Jackson-Vanik Amendment. It has not only poisoned the atmosphere for economic relations with the Soviet Union and other communist countries but it has blocked a reasoned debate about those relations. Despite the fledgling progress in Soviet-American relations during the late 1980s, Jackson-Vanik still hovers like a predator, devouring economic possibilities before they can emerge from the nest.

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The reasons for abandoning so flawed an endeavor are manifold. Apart from the failure to achieve the nominal purpose of unfettered Jewish emigration, the United States and its allies have now crafted more appropriate approaches to advance human rights. Frank and direct discussions with Moscow have resulted in some family reunifications and release of dissidents. Bilateral diplomacy of candor and detail has shown that it can address such matters fruitfully in the Gorbachev era. More important, the process created by the Conference on Security and Cooperation in Europe (CSCE) has reached a new plateau in agreements concluded at Vienna. These accords extend the commitment of all East European countries (except Romania) to freedom of movement and freedom of religion, including the right to provide religious instruction to children. And on these issues the Gorbachev regime has set benchmarks for itself which other states will be able to monitor.

Secretary of State James Baker has stated clearly that Soviet compliance with CSCE standards will determine whether the United States follows through on the Reagan Administration's pledge to attend the human rights conference planned for Moscow in 1991. It is through multilateral undertakings of this type, not misguided unilateralism, that we can best display our dedication to human rights. Nothing is more hopeful in the present era than the willingness of the Soviet leadership to expose its practices to wider international observation, whether in the verification of arms treaties or in the field of human rights. Perhaps here, too, Gorbachev sees that greater exposure to world opinion can make the Soviet fear of obloquy an ally in his striving for domestic reform.

Hopes for effective international action did not appear so promising in 1974, when the Jackson-Vanik provision was adopted. It has taken many years and disappointments to reach the current, more productive stage. Now that we have reached this point the various rationales for Jackson-Vanik have dissolved. What remains is the evident hypocrisy of applying the law in ways that are blatantly discriminatory and self-destructive of U.S. interests. It has never been applied as a sanction to force the free emigration of non-Jewish populations anywhere; waivers of the law for China have been routine since Washington and Beijing normalized relations in 1979. Nor was there ever an interest in China's emigration practices, especially after Deng Xiaoping reportedly asked President Carter "How many millions do you want?"

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In fact, it is not unknown for our government to urge others—Vietnam, for example—to stem the flow of emigrants. Even advocates of the Jackson-Vanik provision might feel a twinge of embarrassment that the U.S. embassy in Moscow has had to slow the processing of visas for refugees because of inadequate funds to resettle them. U.S. immigration law is highly restrictive, assigning quotas by nations and giving preference to skilled professionals over less fortunate candidates seeking entry.

The issue of Jewish emigration from the Soviet Union has taken on new aspects lately. There is progress toward renewed diplomatic relations between Israel and the Soviets, although the timing is unpredictable. Israel's embassy in Moscow is being refurbished. El-Al and Aeroflot are preparing new flight schedules, and joint ventures are under discussion between the two sides. Meanwhile, friction has arisen between Washington and Tel Aviv, as Israel presses the United States to help ensure that Jews emigrating from the Soviet Union go directly to Israel. But America cannot consistently uphold the right of free emigration while insisting that Israel be the sole destination for Jews.

Obviously, Jackson-Vanik is not to blame for all the complications in U.S. trade relations with communist nations. Furthermore, there are occasions when an expression of moral indignation is worth the economic price. But our policy toward trade with communist countries is a strange concoction of political opportunism and paralysis. It embodies a prejudice against doing business with communist states that is shared by few other nations. It produces no perceptible gains, and the economic and human costs are high.

In the end it is the politics of the Jackson-Vanik Amendment that constitute its central defect. Tying MFN and access to U.S. export credit facilities to another nation's emigration rules never made sense. Such selective linkage implies that if Moscow releases enough Jews, its actions in the Middle East, Afghanistan, Central America or elsewhere are relatively unimportant—at least so far as trade is concerned. Whatever the utility of such a posture in American politics, it is an untenable stance in international politics.

Many factors impinge on U.S. relations with each of the communist countries. Congress and the president need to weigh them all in order to reach a rounded judgment of the national interest. The singular preoccupation of the Jackson-

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Vanik standard prevents them from doing so. Repealing it would help to clear away the incoherencies obstructing trade and finance. It would enable the United States to shape a fresh assessment of East-West relations and to pursue its security interests with useful political flexibility. It would signal American recognition of meaningful change in the Soviet Union's behavior, both within and outside its boundaries. It would also comport with the nascent pluralism among communist nations now treated as a Soviet bloc.

Others will press for the use of the president's authority to grant waivers under Jackson-Vanik instead of its repeal. Exercising the waiver authority would place the Soviets on the same footing as the Chinese, and would let the leash out a bit without abandoning the legislation per se. Members of Congress might find it politically easier to support a waiver, rather than outright repeal.

In making the case against the waiver option we consider several points compelling:

—Waivers focus exclusively on Jewish emigration, neglecting other aspects of Soviet behavior important to the United States.

—The Jackson-Vanik Amendment only applies to communist countries, suggesting that the emigration policies of non-communist countries do not matter.

—Annual waivers deny businesses the multiyear-planning frames needed for trade and investment decisions, threatening orderly economic relations.

—The Soviet Union might again refuse to capitulate and offer the "assurances" demanded to gain a waiver; holding to the waiver option might be tantamount to rejecting MFN and to barring normal commerce. After all, Andrei Gromyko emphasized to Kissinger before the amendment passed that the Soviet Union would not accept a trade relationship based on Jackson-Vanik.

In short, a waiver would do little for trade—and its invidious character may do more to inflame the Soviets than to encourage them.

The Union of Councils for Soviet Jews has called for the repeal of the so-called Stevenson Amendment, repeatedly enacted since 1974, which places a $300-million ceiling on new Export-Import Bank loans and guarantees for the Soviet Union (beyond the $469 million outstanding in 1974). As it happened, the blanket prohibitions of the Jackson-Vanik Amendment

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render that provision moot. Repealing the Stevenson Amendment would be meaningful only in conjunction with lifting the Jackson-Vanik constraints. Neither provision is appropriate to today's circumstances.

Repealing Jackson-Vanik would not resolve the specific issues that a coherent policy must address. Negotiations would be necessary to determine on a country-by-country basis whether, when and under what conditions to grant MFN status. The abandoned 1972 trade agreement and the concomitant Lend-Lease settlement would have to be renegotiated. There would surely be no presumption of automatic access to Export-Import Bank guarantees or credits. Statutory restraints on loans by private U.S. lenders, i.e., the 1934 Johnson Debt Default Act, would remain applicable until the Soviet Union and the United States reached satisfactory settlements on long-standing disputes over "sovereign debt." Though evaded by U.S. banks with foreign branches, this act is another candidate for review—one more example of how U.S. policy restricts American companies to the benefit of foreign competitors but with little effect on the targeted country.

Once the legislative barriers are eased, most of these issues may be properly handled in executive branch channels and in multilateral venues. If commercial bank lending to the Soviet Union poses undue economic or political risks, then one sensible recourse would be cooperative reserve requirements or other measures worked out through the Bank for International Settlements (BIS).

IV

It would be shortsighted to swing abruptly from the rigidity of the Jackson-Vanik Amendment to an arrangement that excluded Congress from the process of continuing review of Soviet-American economic relations. Congress will continue to oversee trade agreements with communist countries, including the decision to grant MFN status. It will want to be assured that remedies against dumping and other unfair trade practices, unavailable under the General Agreement on Tariffs and Trade (GATT), are readily available from the International Trade Commission and other U.S. agencies.

However encouraged they may be by Soviet behavior under Gorbachev, legislators also share their constituents' wariness. They will insist upon a step-by-step approach. They share with the president the responsibility to gauge those steps, and they

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will not displace the Jackson-Vanik Amendment with a carte blanche for Soviet use of Export-Import Bank facilities. What is needed is a flexible procedure that enables Congress to join with the executive in a periodic evaluation of the relationship, taking account of the entire range of relevant factors.

With respect to Export-Import Bank assistance, Congress could establish a separate authorization procedure for loans and guarantees to communist countries. These authorizations would be reviewed in the normal course of Export-Import Bank legislation. The proceedings would provide an occasion for wide-ranging legislative appraisals of overall relations with communist countries. In this manner the United States could establish implicit linkage to the full range of relevant behavior, rather than the explicit linkage to a single factor that the Jackson-Vanik Amendment requires.

The financial setting for Soviet participation in Export-Import Bank programs is today quite different from that of the early 1970s. In 1973–74 Export-Import Bank credits to the Soviet Union surged from zero to over $450 million before screeching to a halt. The Organization for Economic Cooperation and Development (OECD) now classifies the Soviet Union as a "Category I" borrower, for which no subsidies are permissible. Except for Israel, the Export-Import Bank tends not to lend directly to Category I countries, and officials doubt that the Soviets would find the bank's loans competitive with those available elsewhere.

While the bank is strapped for funds to offer credits, its authority for loan guarantees is more ample and relevant to the Soviet case. For U.S. banks, the Export-Import Bank guarantee programs could be useful in spreading the risk and in easing the limits on loans to a single sovereign debtor. Although reluctant to pay the bank's fees, Moscow might wish to exercise a right to guarantees as a demonstration that the taboo on doing business with the Soviet Union no longer prevails. Thus, as a practical matter, the issue today concerns guarantees of loans by other lenders, not the direct loans that increased so noticeably in 1972–74.

The Reagan Administration began a gradual movement toward more normal economic relations with the Soviet Union. Led by the late secretary of commerce, Malcolm Baldrige, the U.S.-Soviet Joint Commercial Commission in 1985 resumed sessions that had been suspended indefinitely in 1978. Various trade promotion activities have ensued, with hundreds of

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American businessmen visiting Moscow. Reagan lifted a ban on sales of some oil and gas equipment to the Soviets, a sanction tightened at the time of the Afghanistan invasion. He also allowed imports of Soviet nickel and furs to resume. Before leaving office Secretary Shultz recommended that COCOM end the "no exception" ban on high-technology exports after the Soviets withdrew from Afghanistan. The European allies support this return to a case-by-case review of such sales. U.S. reticence on this point could revive European fears of more "light switch" diplomacy—and Soviet suspicions that concessions only invite demands for more concessions. The ban should be lifted.

Increased commerce with the Soviet Union has been slow, but some developments are potentially significant. Several major firms have formed an American Trade Consortium and negotiated arrangements to permit repatriation of profits from operations in the Soviet Union, perhaps a model arrangement that will permit more income and capital flows to and from joint ventures there. In December 1988 the Soviets further adjusted their rules for joint ventures to permit foreign participants to hold equity majorities and to delay taxation until several years after initial profits are realized. They also increased the number of Soviet organizations authorized to deal directly with foreign partners and suppliers. These attempts to accelerate the pace of the Soviet economy's engagement with foreign investors and markets reveal an alertness to the weaknesses of Moscow's first steps in this direction. American firms were involved in only about 15 of some 200 joint ventures.

These Soviet reforms follow similar measures in China and Hungary. Perhaps the largest economic opportunities for the near future are in Eastern Europe, where capitalist, free market traditions are rooted. Natural trading partners are divided by artificial political demarcations, and the human and economic infrastructures run deeper than in the Soviet Union and China. These different economic potentials, reflecting the various political and economic contexts of the several countries, invite an East-West trade policy that itself is capable of differentiating. The present U.S. policy takes too little account of the liberalizing tendencies within communist countries and of the decentralizing tendencies within the communist "bloc."

This policy flaw bears on export controls. The United States pays a high price for the quaint notion that trade is a privilege. By some estimates export controls have cost U.S. firms between

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$7 billion and $9 billion in exports and 180,000 jobs annually. A National Academy of Sciences survey of almost 200 firms found that over half claimed to have lost sales because of these controls. Such controls also hurt U.S. sales with non-communist countries; 26 percent of the companies surveyed said they had lost deals with free world customers because of export controls, and over a third of the companies reported such customers preferred to shift to other suppliers outside the United States. In 1985 the control process handled proposals approaching $80 billion in value. This gives an idea of how far it ranges beyond direct trade with the Soviets.[2]

In a wide-ranging review of COCOM's record, the National Academy of Sciences studies have urged a new balance between national security export controls and commercial considerations. They called into question the feasibility of enforcing the extensive COCOM list of controlled items and pressed for stronger enforcement of more limited restraints—"higher fences around fewer items." These studies and consultations within COCOM have helped build a consensus to shrink the export control list. In addition, the verdict emerged that, however compressed the list, the executive branch had to pick up its own tempo to reach timely decisions on export applications. With that goal in mind, the 100th Congress trimmed the Department of Defense's authority to delay the process, limiting DOD export license evaluations to "national security" as distinct from "foreign policy" considerations. It remains questionable whether such exhortations will be more effective than those in the past.

In the end, there must be some recognition that technology is inherently difficult to control. It travels on paper and in the human mind, as well as in tangible products. It is usually available from many sources. Security requires control of exports with clear military applications to adversaries. But the West's technological supremacy depends upon its economic and intellectual environment, resources for the development of inventions and their rapid application to commercial and military uses. The United States must stay ahead through a nurtured process of basic research and technological innovation.

[2] Carol Rae Hansen, *U.S.-Soviet Trade Policy*, Washington, D.C.: The Johns Hopkins Foreign Policy Institute, 1988, pp. 10–11.

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V

It is essential to state the issues confronting U.S. policy with some precision. Posing the question "Should we help Gorbachev?" tends to divert discussion into narrow byways. If all the change that is transpiring in the Soviet Union rests on a single individual, if it has no roots beyond Gorbachev's alluring rhetoric, then there is little ground for optimism about its durability—or his. If the innovations are tentative and perishable, one would not be wise to argue for shifting American policy onto sandy terrain.

The dawning consensus, however, is that the changes within the Soviet Union are erupting from sources too deep to permit their suppression even if Gorbachev's tenure turns out to be relatively brief. He is a creature of economic and strategic necessities already recognized in China and other communist countries. What is remarkable is that this historical inevitability has been so slow in coming—and that it has not yet appeared in many communist countries. Fidel Castro and Nicholae Ceauşescu are defiant.

Some reform initiatives may prove abortive, but the United States can shape policy on the probability that the broad tides of change will continue to flow. That expectation rests not on naîveté, but on the calculation that attempts to revert to Stalinism would guarantee economic failure and political decline—and that even the old guards in Moscow and Prague can perceive these hazards. It rests on some conviction that what we have been saying about the superiority of our self-governing, capitalist systems in the West is inescapably true.

For policy purposes, it is not necessary to predict an outcome with certainty in order to prefer it. Surely, from the Western standpoint, a Soviet system that must become more benign in order to become more powerful is preferable to one that joins excessive military capability with the malign impulses of totalitarianism in decline.

But to welcome perestroika is not to advocate paying for it. In truth, there is little likelihood of excessive American investment in the still risky Soviet economy. The U.S. business community has long since discounted forecasts of easy or early profits in the Soviet market. There is impatience with the sluggish bargaining required to close deals with Soviet bureaucrats and enterprises. Permitting U.S. investment in the Soviet economy is not payment for perestroika. It merely means

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repealing provisions that hamper commerce and penalize American companies.

As far as Soviet exports to the United States are concerned, the range of candidates remains limited. Over 90 percent of Soviet hard currency exports consist of oil, gas, gold and arms, not manufactures that would displace major domestic sales by U.S. firms. It is conceivable that buried deep in Soviet archives and laboratories are ingenious developments waiting to be commercialized, but so far the examples are few, e.g., sales of electromagnetic casting technology and an ion-gun hardening system for industrial cutting tools.

Understandably Moscow hopes that the joint ventures it now encourages will concentrate on exports to generate hard currency revenues, but the projected scale of such enterprises remains relatively modest. The volume of trade with communist countries may be small, but these are nations with which the United States can run a needed trade surplus.

The apprehension that the United States might be lured into paying for perestroika seems to focus on official credit arrangements, perhaps reflecting concern about methods once employed to pursue détente. If Moscow were to become eligible for Export-Import Bank financing, as agreed in 1972, today it would face stiff competition for the bank's limited resources. There is no disposition in either Congress or the executive branch to allow Export-Import Bank guarantees to become a surrogate for foreign aid, for example, underwriting development in Soviet Siberia. In the midst of U.S. budget stringencies and chronic trade imbalances the bank is obliged more than ever to husband its authority and to devote its efforts to improving American export performance.

We do not suggest lending money to finance perestroika or denying credits to achieve some political purpose. It is unlikely that Soviet policies will be influenced materially by proffering or withholding cash. The clearest justification for official export assistance is the competitive imperative. If assistance is necessary to put U.S. exporters on an equal footing, then the Export-Import Bank should be in position to help. If there is foreign competition that requires official financial participation in U.S. ventures, the solution is not to punish American exporters but to negotiate international terms that prohibit subsidies. Such negotiations are best pursued with leverage, not with a unilaterally disarmed Export-Import Bank.

To preclude Export-Import Bank participation in business

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with communist countries discourages exporters, investors and private lenders from exploring opportunities. In any case, the bank's primary function is not to do the whole job but to lubricate the larger process. To the extent that there develops a need for selective use of Export-Import Bank assistance in trade, the option should be open. Otherwise American traders and financiers carry a handicap that their counterparts in other Western countries do not.

VI

There appears to be a good understanding at the highest levels in Moscow that one way to energize Soviet domestic enterprises is to subject them, albeit gradually, to the stresses of international competition.

The emphasis on opening the Soviet Union to foreign investment and on working toward convertibility of the ruble reflects this insight. More than nostalgia lies in the recollection that Lenin had a convertible currency. This opening is a farsighted appeal for a return to pragmatism, coupled with a straightforward acknowledgment that the transition from the current 6,000 variations ("currency coefficients") to a unitary ruble exchange rate will take a decade or more.

For the West the prospect of convertible currencies and an end to the Council for Mutual Economic Assistance poses interesting policy questions. Few measures would contribute more to the predictability of transactions with communist countries than the shift to currencies readily traded on world markets. Such a development could testify to the growing strength and independence of communist economies. It could help to stabilize East-West economic relations.

Yet Soviet reformers who foresee a "fully" convertible ruble by the end of the century are optimistic. The painful changes entailed in moving to convertibility are meeting both bureaucratic and grass-roots resistance. Retail price reforms are already behind schedule and worries about inflation are mounting. Western imports needed for restructuring will be costly, while Soviet export potential (barring an oil price increase) appears rather low. Without a surge in hard currency earnings, Moscow's borrowing capacity will be limited, perhaps to another $20 billion or so. This calculus puts full convertibility of the ruble far into the future, although there may be intermediate stages centered on special economic zones, hard currency auctions and partial convertibility.

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But do we want communist economies to be integrated into the world capital and trading system? Certainly not the Soviet economy we have learned to distrust. The economy Gorbachev envisages, however, would be a different matter. A Soviet economy that had undergone the transformations now contemplated could become a constructive participant in the international economic system arduously constructed by the free market countries.

With commitments to change being advertised by Moscow and other communist regimes, the United States and its allies cannot avoid a considered judgment about how to respond to these innovations as they unfold. The speed of reform will vary from one country to another, but the direction seems clear. Hungary is leaning West, and Czechoslovakia and East Germany could restructure sooner than the Soviet Union, if they were so disposed. The prudent case-by-case engagement of these nations with the Western economy is a looming opportunity. It poses a particular challenge for the European Economic Community. It might as well involve a reformed Hungary as a remote Turkey.

The rejection of a Soviet request for observer status at the 1986 GATT meetings in Punta del Este conveyed reasonable doubts about whether a state-run economy could mesh with the market-oriented universe to which that organization is dedicated. But a number of American analysts incline more positively toward some form of Soviet association with GATT, on the theory that it could provide a window on Soviet economic activity and enable outsiders to encourage genuine price reform and the decentralization of markets.

Looking ahead, there has been speculation regarding future Soviet involvement in the International Monetary Fund. Leaders in Moscow have pointed out that an IMF relationship could expedite the country's graduation to currency convertibility. They note that a place in IMF would not give a veto to the Soviet Union and that, given the IMF structure, Moscow would hardly have enough leverage to disrupt its functions. Hungary and Poland are already members and the prospect of an eventual Soviet connection to IMF warrants examination.

As we evaluate these issues, it is reasonable to argue that a Soviet Union more engaged in the global economy would be less prone to backsliding in its economic and political evolution. In the phrase of one close observer, Brezhnev wanted foreign

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investment to avoid reform, Gorbachev wants it to foster reform.

Another development demands consideration by U.S. policymakers. While the Soviet or communist "bloc" is fragmenting, other nations, bound by a commitment to capitalism and by geographical proximity, are forming economic blocs in Western Europe, the Persian Gulf and North America. Where will the colossi of the communist world fit in this emerging, regional shape of things? It is too glib to say that they do not fit. In a new age of regional cooperation the free countries of the Pacific will be dealing with two communist mammoths, Russia and China, both hungry for trade and capital.

Does the communist countries' pursuit of foreign investment threaten U.S. interests? One can imagine scenarios in which it might do so. Gullible Western investors, shown the green light by changes in public policy, might divert so many resources to Soviet projects and joint ventures that they deprive other needy nations of capital. That redirection of capital flows could drive up the cost of funds to everyone, including the United States. Reverse leverage could come into play, with the American government and its allies under pressure to do nothing that might prompt the Soviets to default. These concerns are valid, but not conclusive. Western banks' painful over-exposure in Latin America and Eastern Europe, especially Poland, has bred a healthy caution about concentrating too many eggs in the Soviet basket. Most lenders have relearned the old banker's adage that "if a man owes you a hundred dollars, he's got a problem; if he owes you a million dollars, you've got a problem."

Present evidence makes worst-case anticipations implausible. The Soviets and Chinese historically have been prudent, cautious, even reluctant borrowers. Sovereign borrowers, no less than others, cannot afford to antagonize the big players in Western capital markets. Besides, the West always has its assets to sequester, as Iran discovered. The risks are not exorbitant.

An interagency study done late in the Reagan Administration found that rumors of massive Soviet borrowing in the mid-1980s were exaggerated. Dependable data are difficult to come by, but it appears that, adjusting for exchange rate shifts, total hard currency debt in the Soviet bloc grew by only about 14 percent from 1981–86, and in fact declined if measured in constant dollars. Net Soviet debt to lenders reporting to the Bank for International Settlements, i.e., gross debt minus de-

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posits in BIS banks, was actually less in 1986 than at the start of the decade. The study concluded that the Soviet capacity to service its debt is quite adequate.

To be sure Moscow has begun to dabble with bond issues underwritten in the West, and during 1988 Western lenders extended lines of credit amounting to several billion dollars, most of which are thought to be tied to purchases of consumer goods and equipment. The U.S. government believes that the majority of these credits are officially guaranteed, export-related borrowings permissible under OECD guidelines. This contrasts with the pattern of Soviet loans earlier in the 1980s, which appeared to be generally untied. Two-way trade with nonsocialist countries slackened somewhat, but Wharton Associates projects volume reaching $95 billion in the early 1990s. In the estimate of Soviet economist Abel Aganbegyan, removal of trade barriers could bring bilateral U.S.-Soviet trade levels up to a range of $10 billion to $20 billion within five to seven years.

Some analysts foresee Soviet hard currency debt rising from less than $30 billion in 1985 to over $50 billion in the near future.[3] The Soviets themselves are quite chary about this trend, and Gorbachev's advisers seem determined to hold debt service below 25 percent of export earnings. They look instead to joint ventures to attract perhaps $20 billion in the near future, noting that China already has foreign investment commitments of that magnitude.

All things considered, alarm over Soviet penetration of Western capital markets is premature. From a policy standpoint the important objective in the near term is to improve the means of monitoring Moscow's activities in those markets. That task is part of the more general need to develop adequate information about capital flows—now so rapid and dominant an element in the global economy—as a building block for intelligent policy and for government interventions, when necessary to maintain stability. The United States will have more clout in extracting that information from the Soviets if it is a player, rather than a bystander, in Gorbachev's enterprise.

The shift in policy emphasis recommended here does not prejudge whether American firms will discover enticing and large-scale opportunities in the Soviet Union. Our contention

[3] See "Report of the Special Interagency Task Force on Western Lending to the Soviet Bloc, Vietnam, Libya, Cuba and Nicaragua," 1988; also Hansen, *op. cit.*, p. 32.

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is simply that the government should not strangle their search for such opportunities by policies that preempt consideration of mutually acceptable economic possibilities. The message is: let businessmen strike bargains they deem profitable—and keep enough steerage over U.S. policy to hold a safe and steady course in our overall relationship with communist states.

It is often the essence of political decision-making that governments must choose before there is a confident basis for judgment. So it is in shaping the next phase of U.S. economic relations with communist countries. The mistakes of the past 15 years are clearer than the path into the next century. But, while remaining alert to the dangers, American policy should lift the impediments barring its citizens from exploring that path actively. In today's world economy, inertia is a recipe for neither prosperity nor security. There is no standing still.

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William J. Perry

DEFENSE INVESTMENT STRATEGY

The national security strategy of the United States since World War II has changed frequently during the course of eight administrations and two wars. But it has also had an underlying consistency, driven by three major factors: the cold war, our position as leader of the Western world and our economic strength. In the 1990s, however, our national security strategy is likely to be very different as the cold war abates, our global political leadership role evolves from one of dominance to that of senior partner, and our economy is stressed by actions to reduce the budget and trade deficits.

Most significant are the revolutionary changes under way in the Soviet political and economic systems. Under Mikhail Gorbachev's leadership the Soviet Union is experimenting with a major restructuring of its economic system in an attempt to revive its stagnant economy. At the same time Gorbachev has introduced "new thinking" into Soviet foreign policy, which includes promises of unilateral reductions in the Soviet defense structure and proposals for treaties that would make deep cuts in NATO and Warsaw Pact forces.

It is clear that the Bush Administration will have to formulate a new national security policy that recognizes the new world that is emerging. Such a policy should seek to seize the opportunities presented. Thus, if we could negotiate a major reduction of Soviet forces in Eastern Europe, and perhaps in European Russia as well, we could strengthen our security while easing pressure on our budget.

On the other hand, we must recognize the risks inherent in the current volatility in the world. There is a danger that the West will begin to disarm on the basis of Gorbachev's promises, without waiting for concrete actions. Furthermore, there is every reason to doubt that Gorbachev will succeed in complet-

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ing perestroika, or restructuring, and some reason to question how long he can remain in power. A neo-Stalinist assuming power after we have disarmed would present a particularly dangerous situation. Finally, threats in other regions are likely to increase in a turbulent world.

A new national security policy thus must take account of these complexities. This article will deal with one aspect of such a policy: namely, how to structure a defense investment strategy that recognizes both the opportunities and the risks in the new political and economic dynamics.

II

The most significant factors influencing our future defense strategy will be the state of our relations with the Soviet Union and the public perception of those relations. It is premature to pronounce the end of the cold war. But there is no doubt that Mikhail Gorbachev has introduced a genuine "new thinking" in foreign policy which, if consistently pursued by the Soviet Union, would allow for a winding down of the cold war. This new thinking no longer envisions national security as a zero-sum game in which, for Soviet security to gain, American security must lose. Instead it argues that the Soviets are most secure when a common security is achieved with the United States. This policy has already led to proposals to reduce nuclear arms to "common levels" on the premise that a nuclear war cannot be won with any amount of nuclear arms; it has also led to proposals to reduce conventional arms to common levels at which neither side has a short-warning attack capability. If these policies and proposals were to be carried out, they would dramatically transform Soviet military strategy and capability from their present offensive posture, which we see as threatening, to a basically defensive posture.

To date, there are more words than deeds in this new thinking. The Soviet military still has a formidable offensive capability, including the capability for a short-warning attack on Western Europe. But words are the necessary first step, and these are the most encouraging words on national security from the Soviet leadership since the cold war began.

One consequence of Gorbachev's approach is that it provides a national security basis for both the United States and the Soviet Union to reduce arms to substantially lower common levels. Also, the priority both countries are placing on solving internal economic problems provides a strong economic incen-

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tive for such reductions. In particular, the climate should be ripe for two major arms reduction agreements: one in the Strategic Arms Reduction Talks (START) and another on conventional arms reductions.

It seems likely that an agreement in START will be reached early in the Bush Administration. A conventional arms reduction treaty is the logical sequel to a START treaty. A primary objective of a conventional accord would be to reduce the danger of war in Europe by reducing the capability of conventional forces to make a short-warning attack. A related objective would be to reduce the need for large standing armies in Europe. Both of these aims are addressed by the Soviets' comprehensive proposal for a three-stage process beginning with reductions of weapons and forces to equal ceilings 10–15 percent below the "lowest" current level of East or West; and then in a second stage, another 25-percent reduction; and finally, the restructuring of each side's forces into purely "defensive" forces. There is no doubt that the Soviet proposal will receive serious consideration at the conventional stability talks, involving 23 nations, which began in Vienna in March.

Another framework, dramatically different from other proposals, could be considered in the wake of Gorbachev's speech to the United Nations in December 1988, in which he announced unilateral reductions in Soviet forces in Eastern Europe. That is, the East and West could proceed to reduce conventional forces through a series of unilateral but reciprocal reductions. Because it would avoid the complexities of treaty negotiations with 23 nations, this approach ought to be given serious consideration as well.

A conventional arms reductions treaty would be much more significant in military, strategic and economic terms than a START treaty, however great the latter's political value. Because of its potentially great value and its probable complexities, negotiations on a conventional arms treaty should begin in earnest without waiting to reach final agreement in START. If a conventional treaty is concluded during this administration, it will have a fundamental impact on our defense strategy for decades to come.

The second factor of significance to our future defense strategy is the economic situation in both the Soviet Union and the United States. The economy of the Soviet Union, never strong, has become so stagnant that only a fundamental restructuring can hope to revive it. President Gorbachev is dedicated

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to this perestroika. While it is unlikely that he can achieve a truly competitive economy within the constraints of a planned socialist system, even incremental improvements in the availability of food and other consumer products would be welcomed by Soviet citizens and give perestroika some breathing room. In any event, the economic restructuring envisioned will require a significant diversion of resources from the Soviet military to achieve the capital equipment modernization desperately needed by Soviet industry. Additionally, Soviet industry, in order to improve its productivity, needs a major infusion of modern technology, some of which is available only in the West, but much of which could be developed by the Soviets if they were to transfer top technical talent from military programs.

In contrast, the United States has the largest and strongest economy in the world, based on an innovative, entrepreneurial culture, world leadership in science and technology, and a robust free market system. Even the U.S. economy, however, is facing problems that will have substantial influence on defense spending levels.

Reducing the federal budget deficit will require difficult decisions involving revenue-raising and budget-cutting—both certain to be unpopular. It is already clear that defense will not be immune from budget cuts. The five-year defense plan of the Reagan Administration for fiscal years 1990–95 called for two percent per year real growth in the defense budget. Partly because tensions with the Soviet Union are easing and partly because public consensus is against greater defense spending, congressional support for these projected real increases is lacking. It is more likely that the defense budget will be flat in real terms for the next few years. Moreover, if during the course of the Bush Administration a conventional arms treaty were to be approved, subsequent defense budgets would likely decline. The defense budget proposal submitted by President Bush in February called for a one-year "freeze" and envisioned modest real growth in later years.

The third factor of significance to our future defense strategy is the combination of forces tending to weaken the alliances, both East and West, that were formed in the wake of World War II. For decades East European countries have stayed in the Warsaw Pact for two primary reasons: fear of the Soviet Union's military strength and dependence on the Soviet Union for economic support. Under glasnost this fear is diminishing

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(perhaps mistakenly), and if a conventional arms agreement leads to a major reduction in Soviet tanks in Eastern Europe, it will decrease even more. In the meantime the Soviet Union is increasingly unable to assist East European countries with either economic or technological support for their industry. In fact some of the East European countries have stronger economies than the Soviet Union. As a result, this alliance is losing both the carrot and the stick which kept it together. It would not be surprising to see one of the Warsaw Pact countries try to break away, creating a political crisis to which the Soviet Union may respond militarily, as it did 21 years ago in Prague.

The situation in NATO is fundamentally different in that this alliance was formed by free nations who willingly joined together for their mutual self-interest (and who can freely leave the alliance at any time). There are forces, however, tending to weaken the bonds holding NATO together, as well as those of our alliances with Japan and other Asian-Pacific nations. The challenge for American leadership is clear. First, the Asian and West European countries, like the East European countries, have substantially less fear of the Soviet Union than at any time since the alliances were formed. Second, our allies face growing tension with the United States as they increasingly compete with us in world markets, at the same time that arguments on burden-sharing dominate the congressional debate on our defense budget. Finally, if a conventional accord leads to a significant decrease in American forces in Europe, it will be accompanied by a decrease in the political influence of the United States in Europe.

This is not to say that NATO is losing its relevance, but rather that its political dynamics are changing. In the past the United States was the dominant influence on decisions within NATO since it was so much stronger, both militarily and economically, than any other member nation. In the future the United States will evolve into more of a senior partner, with the European pillar of NATO becoming the other, essentially equal, partner. How quickly this evolves, and to what degree, depends on economic and political actions in Western Europe, especially on the extent and pace of unification in the European Economic Community, which is scheduled for a major strengthening in 1992. Of course, the pace of NATO restructuring will also be affected by developments in the Soviet Union; in particular, a backing away from glasnost and perestroika or a change of leadership in the Soviet Union could slow it down.

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Along with changes in our major alliances, we will see Third World issues evolving more as regional problems that the superpowers are less and less able to influence. Additionally, we will have an increasingly difficult time maintaining our overseas military bases, which have played a critical role in our projection of military power. In sum, the world is becoming multipolar, and the national security issues facing the United States are likely to be dominated by regional problems in which direct intervention by our military forces will be exceedingly difficult both logistically and politically.

III

The new secretary of defense needs to understand the nature of these national security problems, over which he has little control, and to create a new defense strategy responsive to them. While he alone cannot determine the country's defense strategy, he can have considerable influence on it.

He will apparently be formulating this strategy as the Soviets are making significant reductions of conventional forces in Europe and Asia. But, even if this scenario were to develop, we would still be faced, at least in the initial stages, with a Soviet military force of very large capability and a government that we still would see as highly unpredictable. At the same time, there would be in the United States, and to a greater extent in allied countries, a perception that the threat from the Soviet Union had greatly decreased. Therefore, the secretary's challenge is to formulate a new defense strategy which can deal with a dangerous and still unpredictable potential adversary in the face of a reduction in resources and a probable reduction in influence on our allies.

The most visible manifestation of an administration's strategy is its defense investment strategy—that is, how it allocates its defense budget. I am postulating a defense budget that will be flat in real dollars until a conventional arms treaty is approved, and thereafter flat in then-year dollars (which could mean an annual real decline of three to six percent). The secretary of defense will have a very difficult task restructuring a five-year defense plan that has been based on unrealistic assumptions of budget growth for the past three years. In fact, the growth planned in the last five-year defense budget submitted by former Defense Secretary Caspar Weinberger is almost $150 billion more than a flat budget over the same five-year period. As a consequence, there is a ticking time bomb of

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programs started in the past five years which cannot be completed even under a flat budget, much less at the budget levels I have postulated. Therefore, the plans made by each of the services for the development and maintenance of their forces for the next five years are totally unrealistic and will have to be redone from the ground up.

In considering this restructuring it is useful to think of the defense budget in terms of its four major components: manpower, research and development (R&D), modernization, and operations and maintenance (O&M). Historically, budget cuts have squeezed R&D (mortgaging the future), stretched out modernization programs (decreasing long-term readiness and increasing unit costs), and slashed O&M (reducing near-term readiness). Manpower levels have been held constant, but manpower costs have been reduced somewhat by reduction of real wages. The budget reductions after the Vietnam War led to what the former chief of staff of the army, General Edward Meyer, called a "hollow army." It is imperative that the defense strategy of the 1990s not repeat these mistakes. In particular, a premium should be placed on readiness, both near-term, by maintaining the O&M account, and medium-term, by maintaining an efficient modernization program to replace aging equipment that is difficult to operate and maintain.

In summary form, the guidelines for restructuring the defense budget should be:

—to maintain the O&M budget at about the level established in the five-year defense plan; as active units are transferred to the reserves, a fractional part of their O&M budget would be reallocated to the reserves and the rest saved;

—to maintain the modernization budget at about the level established in the five-year defense plan, but reestablish the priority of the programs within that account (as will be described in subsequent sections);

—to reduce the R&D budget from levels set in the five-year defense plan to a level consistent with the growth (or decrease) in the overall defense budget; and

—to reduce the manpower budget from the five-year defense plan level to a level that compensates for the relative increases in the O&M and modernization accounts.

These changes would have to be phased over time to be compatible with actual budget levels. For example, if the five-year plan called for a two-percent real increase over the previous year, and the actual defense budget was targeted to be

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flat in real terms, then these guidelines would allocate a two-percent real increase to the O&M and modernization accounts, a flat budget to the R&D account, and about a three-percent real *decrease* to the manpower account (assuming this account was two-thirds the size of the O&M and modernization accounts).

A primary challenge, then, of the new strategy would be to mitigate the effect of the reductions in manpower through a variety of "off-budget" compensatory actions. Foremost among these would be to push aggressively for treaties that give us a real reduction in the military threat we face, with particular emphasis on the threat of short-warning attack. Second, as we reduce our strategic forces under a START treaty, we could convert some of the surplus strategic platforms so they could be used to bolster our tactical forces. Third, we should work to achieve an effective program of defense cooperation with our allies. As they assume a greater share of the ground defense of Europe, we must closely coordinate our reinforcement plans with their defense strategy and restructure the NATO modernization program to make more effective use of their technology and industry. Fourth, we should emphasize "competitive strategies" to make selective use of our technology in areas where we have a substantial lead and where that technology is highly significant to defense. Finally, in this new strategy, we should make much more effective use of our reserve and National Guard forces than we are doing currently.

Realistically, it will not be easy to prevent budget reductions of this size over a number of years from leading to a "hollow army." This would certainly happen if we were to keep the same force structure but skimp on training, supplies, and equipment maintenance and modernization. The Defense Department would have to stand firm on its proposals for manpower reductions, as politically difficult as this would be, in order to avoid falling into this trap.

IV

Thus it follows that a necessary but painful element of the new strategy is for the Defense Department to reduce its manpower, both military and civilian. We cannot deal effectively with a budget problem of the magnitude I have postulated by tinkering at the margins.

A proposal to cut manpower in any part of the Defense Department (or any other department of government) is cer-

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tain to elicit strong opposition from those directly or indirectly affected, and they are likely to receive powerful support from some members of Congress. Therefore, in order for a reduction plan to be approved, it would have to be carefully worked out to minimize its human impact (as the plant-closing legislation attempts to do in the civilian economy), and phased so as not to endanger national security. But while such a major reduction would have to be very carefully planned and executed, it is incorrect to believe that detailed analysis alone can determine the "right" size of the reduction. To a great extent, determining the size of the reduction will be a matter of judgment.

In my judgment, reductions of up to 20 percent can be made in the civilian personnel of the Defense Department over four years. These could begin in fiscal year 1990 and proceed at the rate of about 50,000 a year. Some of these would be scheduled retirements or early retirements. Functionally, these reductions would be directed at three major areas: civilian personnel made surplus by the closing of unnecessary bases (legislation has already been passed to effect base closures, and it is likely that the first such closures will occur soon); civilian personnel made surplus by general overhead reductions; and civilian personnel made surplus by planned reductions in the defense acquisition system. This last reduction would be consistent with the Packard Commission's recommendation to streamline the acquisition system, with attendant reductions of personnel. The commission's chairman, David Packard, in testimony before the Senate Armed Services Committee, has elaborated on this recommendation by stating that acquisition efficiency is consistent with a reduction in acquisition personnel of at least 20 percent (which could involve up to 50,000 personnel).

Some reductions in military manpower would be associated with the same base closures and organizational streamlining that permit the reduction in civilian personnel. It is difficult to estimate the number of military personnel that would be affected by these actions, but it is possible that as many as 50,000 military personnel could be phased out over the same four-year period. Substantially greater military manpower reductions would be possible if we were to conclude a treaty to cut conventional arms significantly. In that case it is possible that 200,000 military personnel could be transferred from the active forces to the reserves.

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It would be a grave mistake, however, to make major reductions in military manpower unilaterally. NATO forces in Europe are already outnumbered by Warsaw Pact forces, and unilateral reductions in American forces would only aggravate that situation, weakening NATO both militarily and politically. In addition, any unilateral reduction on our part could undercut our ability to negotiate bilateral reductions in conventional arms talks. I believe that asymmetrical bilateral reductions in military manpower are achievable in these talks, and can enhance our national security, but we must not give away our negotiating leverage.

V

While our strategic nuclear forces account for less than 15 percent of the defense budget, they obviously play a uniquely important role in our strategy. Our new strategy must provide for maintaining nuclear forces that constitute an unambiguously effective deterrent. Treaties to reduce nuclear arms should be seen as a component of U.S. defense strategy that seeks to enhance the stability of the deterrent forces of the Soviet Union and the United States through bilateral reductions, with a special emphasis on reducing those components of the nuclear forces which have first-strike potential and are therefore destabilizing. Our nuclear modernization program, which must be compatible with our treaty obligations, should have three distinct objectives:

—to improve the survivability and security of our forces, thereby removing the incentive for a preemptive attack and reducing the risk of a nuclear war starting by accident or miscalculation;

—to improve the operability and maintainability of our forces, thereby increasing readiness and reducing operating costs; and

—to provide for a contingent response to a plausible Soviet breakout (abrogation of a treaty) or breakthrough (development of a revolutionary new capability, e.g., in submarine detection).

A START treaty would determine the broad parameters of our central nuclear forces, but within those parameters there is still quite a bit of discretionary judgment about how to configure the forces. One possible configuration, compatible with START, seeks at moderate cost (somewhat less than pro-

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grammed in the five-year defense plan) to maximize the three objectives just described.

(1) The reduced force of intercontinental ballistic missiles would consist of 500 warheads on 50 MX missiles based in Minuteman silos; in addition, about 950 warheads would be retained on a mixture of Minuteman II and III missiles, also based in Minuteman silos. A Midgetman missile would be developed and, when available, deployed in Minuteman silos to replace the aging Minuteman missiles. The exact number of Midgetman missiles deployed would be based on the political situation at that time, including whatever progress is being made on a second START treaty. The Minuteman silos could be substantially hardened before deploying the new Midgetman missile; however, the survivability of this silo-based ICBM force would depend primarily on the fact that current Soviet ICBMs and submarine-launched ballistic missiles cannot successfully launch a surprise attack against *both* the bomber force and the ICBM force. If the Soviets were to develop an SLBM force capable of a simultaneous short flight-time attack on both our ICBM force and our bomber force, an effective, low-cost and timely response would be to construct additional silos in the Minuteman fields and occasionally shift the missiles covertly from silo to silo.

(2) The SLBM force would consist of about 3,450 warheads on 432 Trident I missiles deployed in 18 submarines. Initially, the submarines would be a mixture of Poseidon and Trident, but by the mid-1990s we would have an all-Trident force. As the Trident II missile (the D-5) becomes available in the early 1990s, it would replace the Trident I. The SLBMs are the most stabilizing component of our deterrent forces because of their invulnerability to attack; the modernization program is intended to maintain that survivability even as the Soviets increase their capability in antisubmarine warfare. The characteristics of the Trident force indirectly enhance the survivability of the ICBM force. Because the Trident II missile has performance capabilities (accuracy and nuclear yield) equivalent to ICBMs, it serves as a disincentive for an ICBM attack, since even if the Soviets were successfully to destroy our ICBMs, they would still face retaliation with the ICBM-like missiles in our SLBM force.

(3) The bomber force would consist of 90 B-52Hs carrying about 1,000 air-launched cruise missiles (ALCMs) and 98 B-1s carrying a mixture of ALCMs, short-range attack missiles and

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gravity bombs. The B-52Gs would be armed with conventional munitions and committed to NATO. When the Advanced Technology Bomber (B-2) is ready for deployment, it could replace the B-1s, which, outfitted with advanced conventional munitions and improved electronic countermeasures, would then replace the B-52Gs which had been assigned to NATO. Both the B-1 and the B-2 greatly improve the survivability of the force compared to the B-52 by virtue of their fast "base escape" and, in the case of the B-2, its effectiveness in penetrating Soviet air defenses. Because of the greatly improved effectiveness of the B-2, one wing (about 70 aircraft) should be sufficient to replace the B-1 force.

This strategic force, which would comprise about 8,000 nuclear warheads, could be decreased further in the mid-to-late 1990s if a follow-on START treaty were approved. I believe it would be reasonable to reduce the strategic forces of the United States and the Soviet Union to a level as low as 4,000 warheads each, if the basing modes were survivable and the counterforce threat minimal. If we reduced forces much below that number, we would face a risk of instability if cheating on the treaty were to occur, or if nontreaty countries were to escalate their nuclear forces.

Besides our strategic nuclear forces, we have four other categories of nuclear weapons: ground-based ballistic missiles intended to support a specific theater of operations (e.g., NATO); sea-launched cruise missiles intended to extend the strike capability of our naval forces by attacking either land or ship targets; battlefield nuclear weapons (artillery shells, mines, depth charges); and nuclear bombs used with dual-capable aircraft. The modernization issue is different for each category.

The most controversial issue facing the United States is whether we should "modernize" (i.e., build a new generation of missiles to succeed the short-range Lance missile stationed in Europe), renovate Lance or do nothing on the assumption that the Intermediate-range Nuclear Forces Treaty will be extended to include this class of missile. The prudent course is to renovate Lance sufficiently to allow its continued certification, but not attempt to redesign it to improve its performance. The renovation program would probably involve recasting the Lance's solid-fuel rockets.

Also controversial since the Soviets want to include them in START are the sea-launched cruise missiles. Our primary interest in SLCMs is in the conventionally armed SLCM; modernization

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programs would be directed to reducing its detectability, improving its performance and reducing its unit cost. No special modernization program is needed for the nuclear version of this missile. Modest quantities of nuclear-armed SLCMs are now deployed on some attack submarines and surface ships to complicate the targeting problem presented to Soviet military planners. For this purpose, presently deployed quantities are sufficient.

Battlefield nuclear weapons play an increasingly less significant role in our war planning. They should be maintained in the force pending real progress on a conventional arms reduction treaty, but no modernization or expansion program is required.

Nuclear bombs on dual-capable aircraft will be the backbone of our theater-based nuclear deterrence and, as such, should be kept fully modernized and in a high state of readiness. However, the principal requirement for modernization lies not with the bombs but with the platforms and their associated electronics. The primary motivation for modernizing the bombs themselves is to improve their security and safety, which is done as part of an evolutionary security-enhancement program. The platform modernization program would include upgrading the F-15 and the F-16 (avionics, armament and counterdetection), developing a new-generation fighter and, in time, adapting the B-1 for theater operations.

VI

In March 1983 President Reagan called for scientists to begin a research program in strategic defense technology whose objective would be "to render nuclear weapons impotent and obsolete." In response to this challenge the Defense Department launched the Strategic Defense Initiative (SDI), to be managed by the new Strategic Defense Initiative Organization. The SDI was perhaps the most controversial defense program of the Reagan Administration, partly because of profound confusion about its objectives and partly because of its sensitive interaction with our ICBM modernization program and strategic arms treaties.

Five years after the president's speech Defense Secretary Frank Carlucci convened a panel of the Defense Science Board to assess the progress made by the SDIO, to evaluate the prospects for strategic defense and to recommend a framework for the continuation of the program. At the time, the department

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was considering a proposal to move into "early deployment" with a space-based kinetic-kill weapon system. The DSB panel concluded not only that it was premature to deploy a space-based system, but that it was too early to settle on a preferred technology among the many being pursued.

As a result, the panel recommended "that R&D priority should be given to the sensors, processing and communications that would be necessary with any system," and that the country should "undertake to deploy the next generation of space surveillance systems to improve our early-warning detection and assessment of a ballistic missile attack." It also recommended deferring the early deployment of a space-based system in favor of a more conservative plan that envisioned phased deployment, the first step of which would be a "limited, treaty-compliant deployment of 100 fixed ground-based long-range interceptors."

These recommendations provide a sound basis for restructuring the SDI program into three concurrent efforts plus one contingent effort. The concurrent efforts would be:

—to develop advanced sensor, processing and communications technology;

—to deploy the next-generation space surveillance early-warning system;

—to conduct vigorous research on the most promising of the new technologies for destroying ballistic missiles in order to hedge against a treaty failure or a technological breakthrough. (If a breakthrough is to occur in this field, we want it to occur first in the United States.)

These three components of the SDI program could be carried out at a funding level which would be about two-thirds of the present SDIO funding (about half of the programmed five-year defense plan funding). Whether and when we should proceed to deploy the ground-based interceptor system would be contingent on a comparison of the military benefits of that system with other defense programs of comparable cost.

VII

More than 80 percent of the defense budget is spent directly or indirectly on our conventional forces, so it is on them that budget reduction actions have historically focused. Indeed, in the Eisenhower Administration, this was explicit in the tripwire strategy, which held that an attack on our conventional forces would call forth "massive retaliation" by our nuclear forces.

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This strategy was adopted after a NATO study concluded that a conventional defense of Europe would require 96 active divisions in Europe, and this at a time when we had overwhelming superiority with our nuclear forces. As a result, budget-conscious governments in NATO, including our own, accepted conventional forces that were numerically inferior to those of the Warsaw Pact, counting on American nuclear weapons as a low-cost equalizer.

Since that time, the Soviets have achieved rough parity with the United States in their nuclear forces and have made some progress in closing the technological gap in conventional forces. Therefore, we should revise our strategy in order to raise the nuclear threshold. We can do this by selectively increasing the capability of American conventional forces through a modernization program which would put priority on:

—maintaining at high readiness levels a selected part of our forces, including but not limited to the Special Operations Forces and marines, because in the crises most important to our national security we would not have months or years to mobilize;

—increasing our ability to transport these selected forces, because they will generally not be based in sufficient numbers at the location where a crisis arises;

—improving our intelligence and surveillance systems, to give us maximum time to respond to crises, and to deploy our limited forces correctly the first time;

—maintaining the technological superiority of our naval air, tactical air and army air forces, because they can be used to project power rapidly anywhere in the world; and

—developing improved antiarmor weapons.

These last two points are important because we will generally be unable to move our armored forces to a crisis area during the critical early phase of a crisis. In particular, should a conventional arms reduction treaty lead to the return to the United States of several of our armored divisions and all of their equipment, these units could not be reinserted in Europe for the first month or two after a decision to redeploy. In this case the bulk of the heavy ground forces in NATO available to meet a short-warning attack would be those of our European allies, particularly West Germany and France. Even with improvements in the cooperation and effectiveness of the French and German forces, the United States would still have major responsibilities to improve its support to NATO. The highest

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priority is the development of a new generation of all-weather antiarmor weapons which, once fired, would be autonomous in operation (to defeat Soviet operational countermeasures) and would be of sufficiently high energy to defeat the Soviet technical countermeasures (reactive armor in particular). These antiarmor weapons would be designed to operate from army and marine attack helicopters, tanks and infantry fighting vehicles and all of NATO's tactical support aircraft. These weapons are vital to stopping an armored attack, since we would have relatively few tanks in place in the early, decisive phase of a war.

A second area of importance to our ground forces is the improvement of the capability of attack helicopters. A new generation should be developed for the army and the marines; it would be self-ferrying so that helicopter units could be moved quickly to Europe or crisis areas anywhere in the world. The design should be optimized to improve survivability greatly (by including stealth features) and to lower operating costs substantially.

Finally, the army's modernization program should decrease funding for heavy armored vehicles, but provide for refitting existing vehicles with features to enhance their survivability.

VIII

Our primary means of projecting conventional military power to distant operational theaters will be through air power: attack helicopters, carrier-based aircraft and the tactical air arm of the air force. Greater emphasis should be put on air power in our support to NATO because we can move air units to Europe rapidly. Unlike our heavy ground units, a major part of our tactical air forces and army air units can be moved quickly because most of the aircraft are self-ferrying.

Since air power alone cannot win battles, our air units must be able to operate in conjunction with the ground units of allies as well as the limited number of our own ground units (Special Operations Forces and marines) that we could quickly move into place.

NATO's need for rapid reinforcement with air units requires that we take vigorous actions to maintain a high state of readiness in the air units that are moved to the reserves. We should have a major increase in the budget for training and for modernizing equipment in the air reserves, the air national guard and the army air units to achieve the necessary increase

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in readiness. Additionally, we should increase the aircraft in the Civil Reserve Air Force program, which provides funding for structural reinforcement of commercial airliners as they are built so that they can be used more effectively to transport matériel in wartime.

If we are outnumbered on the ground, it will be critically important to offset this disadvantage with air superiority. Air superiority will allow effective interdiction and execution of the support missions necessary to reduce the Soviet ground advantage as well as to protect NATO's ground forces from Soviet tactical air forces. Therefore, we must increase emphasis on the R&D critical to air superiority, especially those technologies critical to low-observability (stealth) and to autonomous all-weather air-to-air missiles. The modernization program would include refitting current fighter aircraft to improve their low-observable characteristics, development of the Advanced Tactical Fighter, and evolutionary improvement of the Advanced Medium-Range air-to-air missile.

Additional strengthening of our tactical air forces could be achieved by using resources originally developed for our strategic forces. For example, after the B-2 is deployed, the B-1 could be reconfigured as a conventional bomber with a capability for high-accuracy high-payload long-range interdiction missions. Prior to that time, the B-52G could be used (albeit less effectively) for the same missions.

IX

Along with the restructuring of our ground and air units, the navy could be restructured by transferring some active-duty forces to reserves. This could be done by phasing down to 13 carrier battle groups in the active-duty forces.

Aircraft carriers would continue to be a primary means of projecting American military power around the world, and the navy's modernization program would emphasize the maintenance of our distinctive advantage in carriers. I do not believe, however, that the development of a new attack aircraft is necessary at this time. Rather, the modernization program for naval air forces and marine air forces would focus on evolutionary improvements (particularly the introduction of low-observable technology) to the F-18, the A-18 and the A-6. Development of the new attack aircraft could be initiated after the conclusion of the Advanced Tactical Fighter development program.

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To offset partially the decrease in offensive striking power resulting from the reduction in carriers, we could deploy a large number of conventionally armed SLCMs. Both sea-attack and land-attack versions would be deployed, as they already are, on attack submarines and surface ships. And as the Poseidon nuclear submarines are retired from our nuclear forces, some could be refitted to carry large numbers of conventionally armed cruise missiles (assuming this was not barred under a START treaty).

More emphasis should be placed on antisubmarine warfare technology, particularly on developing new sensors to deal effectively with the new generation of quiet Soviet submarines. A major (and very expensive) part of our submarine program would be to complete the development of a new attack submarine, the Sea Wolf. These programs respond to Soviet advances in submarine and ASW technology over the last decade. Making them priorities reflects the relative importance to the United States of maintaining open sea-lanes in the face of an increasingly capable Soviet submarine force.

X

Nearly all U.S. weapon systems are built by defense contractors, unlike those of the Soviet Union, which are built in government arsenals. Our defense industry, created in World War II, was a crucial factor in winning the war, and during the postwar period it led the United States into world leadership in nuclear power, jet aircraft, jet engines, radar, computers and semiconductors. For years our defense strategy has implicitly assumed a strong defense industrial base and world leadership in technology. Both are now eroding. The erosion stems from three primary factors: (1) the isolation of the defense industry from commercial technology and manufacturing processes; (2) decreased funding of the defense technology base; and (3) a crisis in the defense industry caused by criminal investigation and financial setbacks.

Because the Defense Department imposes unique standards and specifications on its equipment, and buys with a set of unique procurement regulations, nearly all defense suppliers have established enclaves for their defense business which they isolate from their commercial business. Moreover, commercial suppliers generally are disqualified from bidding for defense contracts on technicalities or procedural grounds even if they have a lower-cost product that meets military needs. As a result

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our military products rarely get the cost benefit of large commercial production runs, nor do they fully benefit from the technology and manufacturing processes developed for our commercial products. Thus, during the last few decades our weapon systems have come to depend more and more on defense-funded technology. But at the very time this dependence has been increasing, funding for the defense technology program actually has declined to about half of what it was in the early 1960s.

Therefore, it is critically important to achieve a sustained increase in the technology base program (at the expense of weapon systems R&D), while at the same time working to "commercialize" certain aspects of defense procurement. In particular, a major effort is needed by the Defense Department and industry to establish joint military-industrial standards, specifications and manufacturing processes for integrated circuits, computers, software, connectors and other dual-use devices. Such a joint effort will potentially save billions of defense procurement dollars every year, as well as improve the quality of military equipment.

A financial crisis is looming for many defense companies because their revenues will decline as the defense budget decreases, their profits will decline due to changes in procurement regulations, and they must increase their capital because of these factors plus a change in tax regulations—the change in tax regulation alone adds more than $5 billion to the capital requirement of the 50 largest defense contractors. As a result, the defense industry is entering a period of traumatic restructuring in which the weakest companies will go out of business and many others will be acquired (foreign companies are showing the greatest buying interest). The Defense Department should not take actions to counter the market forces that are causing this restructuring, since inefficiencies will result from leaving the excess capacity in place, but it should reform the procurement regulations that are driving the industry to decreased investments in facilities and R&D, since the quality of our weapon systems is the ultimate victim of these regulations.

Even more damaging to the industry are the allegations of criminal misconduct that are being aired in the media and in congressional hearings. It is obviously important to convict and sentence any criminals in the defense industry, but the implication that the system is infested with criminal activity threatens to cripple the entire industry; it also distracts us from the

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actions that are urgently needed to bring about effective reform of the acquisition system. A blueprint for achieving acquisition reform is spelled out in the Packard Commission report delivered to President Reagan in 1986; it simply has not been implemented.

The Packard Commission report describes in some detail a program to improve *efficiency* in the acquisition system. The recommendations involve establishing streamlined acquisition procedures, increasing the use of prototype testing, increasing the use of technology to reduce cost, stabilizing funding in defense programs and expanding the use of commercial products and competitions. The commission also recommended a program to restore *integrity* in the acquisition system, the centerpiece of which was an extensive industry self-governance program with real teeth in it.

The Bush Administration should make the execution of these recommendations a top priority. It will not be possible to achieve sustained congressional support for the defense budget (even a flat budget) without restoring public confidence in the competence and integrity of the defense acquisition system.

XI

To sum up: major changes are under way in the three major factors that have driven our national security strategy since World War II—the cold war, our economic strength and our alliance structure. These changes provide the national security basis for both the United States and the Soviet Union to reduce arms to substantially lower common levels, as well as a strong economic incentive to make such reductions.

We have an opportunity to seize the diplomatic initiative and press for multilateral force reductions that reduce the risk of a short-warning attack in Europe. This would allow us safely to reduce our forces, thereby reducing pressure on our federal budget. But we also face a risk, namely, that we or our allies will respond unilaterally and reduce our capability—perhaps irreversibly—before the real threat is reduced. This would be particularly dangerous if Gorbachev were to fall from power and be replaced with a neo-Stalinist. Even if Soviet "new thinking" is sustained, the restructuring of our defense forces must be done in such a way that we can continue to respond to unpredictable crises around the world.

Meeting our national security requirements with reduced military forces will require: an increased emphasis on readiness

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in a smaller active-duty force; an increased emphasis on reserves and National Guard forces; an increased emphasis on tactical air units, marines, Special Operations Forces and selected units that can be moved rapidly; an increase in our means of transport through modification of commercial airliners; and a more effective acquisition system, including increased use of commercial products and standards.

A defense strategy responsive to the world that is now emerging will require significant changes. Both we and our allies have become comfortable with the status quo. But there are dramatic new forces loose in the world. The United States, as the world's leading power, should not simply react to those forces after their effects are evident. We should initiate new policies and new programs to shape those forces, to strengthen our national security and thus to enhance the prospects for world peace.

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Francis M. Bator

MUST WE RETRENCH?

America's reach, it is said, exceeds her grasp. Some see a gap between our foreign commitments and military strength, and want us to spend more on defense. According to others, the more dangerous gap is economic. To avoid the fate of overextended empires of the past, they say, we must spend less on defense, and adjust our international involvements accordingly.[1]

I concentrate here on the second, or economic hypothesis, but not in order to promote the first. On the contrary, I find persuasive the experts who believe that with some redirection, and subject to a change in external circumstances, a constant or even somewhat reduced level of real defense spending would adequately support the arrangements that have been central to American foreign policy since the late 1940s.[2] But whatever the right level of defense may be, faulty economic analysis should not govern the choice, any more than it should govern how much we spend on education or health.

The air is full of warnings against overestimating America's economic strength. The more likely error, I think, is the opposite. Prompted by a mistaken sense of economic weakness, we are apt to behave as though we were just another beleaguered nation that has to use all its muscle to stay ahead of the pack. Ironically, such devil-take-the-hindmost American conduct would make it harder to cope with the economic difficul-

[1] For the first view, see *Discriminate Deterrence*, Report of The Commission on Integrated Long-Term Strategy, Fred C. Iklé and Albert Wohlstetter, co-chairmen, Washington: G.P.O., January 1988, and Samuel P. Huntington, "Coping With the Lippmann Gap," *Foreign Affairs*, America and the World 1987/88. For the second view, the premier source is Paul Kennedy, *The Rise and Fall of the Great Powers*, New York: Random House, 1987. I have benefited also from the review of the last by W. W. Rostow, "Beware of Historians Bearing False Analogies," *Foreign Affairs*, Spring 1988, pp.863–868, and the subsequent Kennedy-Rostow exchange in *Foreign Affairs*, Summer 1988, pp. 1108–1113.

[2] See, for example, William W. Kaufmann, "A Defense Agenda for Fiscal 1990–1994," in John D. Steinbruner, ed., *Restructuring American Foreign Policy*, Washington: Brookings Institution, 1988.

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ties the misunderstanding of which will have caused our failure of nerve.

The hypothesis that the American economy is so overstretched that we must curtail our commitments abroad or suffer economic decline at home—that there is no third choice—is odd even on its face. U.S. national output per family of average size (3.21 persons) exceeds $63,000 a year. We are richer than in the past and spend a smaller fraction of our income on defense than during 27 of the last 40 years. We remain one-and-a-half to two times richer than our faltering military rival, and richer also, though by a shrinking margin, than our richest friends.[3]

Much has been made of the decline in our relative share of world output, both overall and in manufacturing. But I have not been able to find a reasoned examination of whether the American share is likely to continue to shrink, at what pace, and to what level—or, for that matter, of the consequences for America's national interest of a smaller American share. Presumably it makes a difference whether the nations that are increasing their share are large or small, rich to start off with or poor, democratic, status-quo-minded and friendly or autocratic and expansionist, and whether they are likely to continue growing rapidly. Given plausible assumptions about relative economic size five, ten or 25 years from now, who will and will not be able to do what to whom to advance what possible interest, or defend against what plausible threat? Saying that "China has become virtually a third superpower," or that "Japan has become a financial superpower and is simultaneously committing itself to a productivity revolution . . . ," does not shed light on the consequences for American safety or well-being.[4]

An intersecting line of reasoning relies on the daunting list of our current economic ills: the twin deficits, rapidly growing debt, a volatile dollar, productivity growth that is much slower than in the past, diminished competitiveness, a deteriorating infrastructure, the growing number of poor, the weaknesses in American education, and so on. Unless we trim our foreign commitments now, the reasoning seems to run, those problems will become unmanageable and cause us to become, if not

[3] Note One in the Appendix gives supporting detail.
[4] Paul Kennedy in letter to *The New York Times*, July 3, 1988.

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outright poor, inadequate to the task of protecting our interests in the future.

On some things we can all agree. A continuing international deficit that is not matched by additional investment at home to offset the increase in foreign debt is not a desirable condition or one that can persist. Sluggish productivity growth is not a good thing either, especially in a heterogeneous, achievement-oriented democracy like the United States. Slow income growth is apt to make us stingy and our conduct abroad erratic; in the very long run it might even force us to adopt a diminished role. On both counts—the need to repair the international deficit and the more fundamental need to speed up domestic productivity growth—we must at the margin redirect resources: import less, export more, and invest much more in plant, machinery and infrastructure, and in R & D and education too. The proportionate share of domestic investment and net exports in output must rise.

That much is agreed. But it does not follow that the share of defense must fall—unless, that is, the share of civilian public and private consumption (the latter, at 66.4 percent of the GNP, is by far the largest share) *cannot* be cut, or at least not by enough to spare defense.

Taken literally, that is of course not true. The federal government could reduce its own civilian purchases. By reducing its transfer payments and raising taxes, and thereby reducing personal disposable income, it can make personal consumption go down. By adopting the right mix of taxes and transfers the government can make sure that it squeezes the consumption share of the non-poor. Even relative to ambitious targets for domestic investment and net exports, we are far from having reached the technical limits of taxable capacity.[5]

It is said, in rebuttal, that cutting the share of consumption is infeasible because the American people will not stand for it;[6] the election of 1984 is cited as evidence. The argument relies on an intrinsically uncertain political forecast to justify a prescription favored on other grounds. It is a dubious procedure, resembling that of a doctor who recommends major surgery

[5] On the meaning of "taxable capacity," see F. M. Bator, *The Question of Government Spending*, New York: Harper & Brothers, 1960, pp. 48–62. The argument, made some twenty years before the "Laffer Curve" was drawn on the back of a napkin, demonstrates that the United States was not then, and is not now, anywhere near the limits of its taxable capacity.

[6] See David P. Calleo, et al., "The Dollar and the Defense of the West," *Foreign Affairs*, Spring 1988, pp. 846–862.

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without telling you that a stringent diet would do just as well, because he thinks he knows from past experience that sticking to diets is not your thing. The right question in a prescriptive analysis is not whether we will reduce the consumption share, but whether we *should*. The silent minor premise of the economic gap hypothesis is that we should not do so, or not enough to spare defense—that at the margin, consumption is more valuable than the marginal percentage point or two of defense. But this is a matter of opinion that cries out for informed debate.[7]

II. ISSUES

Suppose we stipulate that the share of potential output available for domestic investment and net exports, and for the consumption of the poor, should increase. Because public civilian consumption, the personal consumption of the non-poor and defense are all that remain, it follows that their share, *taken together*, must shrink. The hard, divisive questions—the questions we should be arguing about but are not—concern quantities and speed: how large an increase in domestic investment, in net exports and in the consumption of the poor should American policymakers aim at, and how soon? What fraction of the added investment should go to increase private fixed capital, to improve public facilities and to enhance education and research? How large a part of the offsetting cut should be absorbed by each of the remaining shares: defense (and within defense the NATO share, the mischievously popular target of the most ardent believers in an economic gap); public civilian consumption and the personal consumption of the non-poor?

Typically in American discourse we ignore those questions of resource allocation entirely, or consider partial answers ("increase investment/cut defense") that obscure many of the

[7] The assumption that we will fail to raise taxes or cut civilian spending—out of place in a prescriptive analysis—is only flimsily supported by the evidence. Between 1983 and 1987 a divided Congress managed to do both, despite head-on opposition to any tax increase by an intransigent president. In its lumbering way, and with some defense cuts thrown in, the Congress succeeded in reducing the baseline budget deficit from five percent to about three percent of GNP. What the Congress does and what the American people will accept is affected by what the president of the United States asks them to do. (It has become a favorite axiom of the political press that for a politician to propose higher taxes is tantamount to professional suicide. But does anyone really believe that the outcome of the 1984 election would have been significantly different had President Reagan announced during the previous spring that his next budget would call for a large tax increase—and had he carefully explained why—even if Vice President Mondale had come out flatly against any tax increase? Or that in January 1985, the year of Gramm-Rudman-Hollings, the Congress would have failed to respond?)

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trade-offs being proposed. Like befuddled sailors who squabble about the trim of the sails but pay no attention to their compass bearings, we argue about taxes, spending and interest rates, and disregard the prior question: What economic outcome do we want those policy instruments to achieve? (That even skillful macromanagers will not often score a bull's-eye does not make target choice irrelevant; they have to know what to aim at.)

What outcome one thinks best depends on one's values and interests; reasonable people will disagree. To resolve those differences we rely on political processes. But it will improve our politics, and confer a greater consistency and legitimacy on the choices we make, if every proposal that we spend more on this or less on that is forced to confront in quantitative terms both the recent facts and the true slate of alternatives.

In that spirit, Part III of this article documents the startling size of the shift from investment to consumption since 1981, and explains why this shift is what matters, not the trade deficit as such. Part IV examines the causes of the shift, link by link, in light of the evidence. Part V explores the central issue: How painful must rectifying the investment-consumption mix be, and to what degree does it depend on what we do about defense? I explore a number of alternative allocations of the national product among investment, public and private civilian consumption, and defense. The purpose is not to promote a particular allocation, but to give the reader a sense of the slate of choices that we face, and to let him test his own preference. Because neither billions of dollars nor percentages engage one's intuition, each hypothetical allocation is given in the form of the corresponding budget of a representative family, and compared with such representative budgets during the recent past.

Part VI, at last, tackles the question that is usually taken up first: What should we do about taxes, spending and money supply? But it does so in relation to the underlying question: What allocation do we wish those policy instruments to achieve? How much budget tightening would the different allocations demand, by what date, with what implications for monetary policy? I consider baseline adjustments in the federal budget, as well as the transient readjustments that may be needed to avoid inflation or recession. Part VII then explains why setting arbitrary limits on the growth of debt, whether foreign or domestic, is a bad idea, and why, as a general rule, we should not make a target of the exchange rate. Part VIII sets forth

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my own beliefs about which allocations, and therefore what policies, would serve us best, and why.

It is a long story with a short moral. It is not true that to solve our problems we must either suffer great pain at home or change American policy abroad. Once we get economic policy even approximately right, our current difficulties will shrink from the status of a chapter to that of a paragraph in American history. The reason is that we are rich—in what is, I believe, Professor Paul Kennedy's wry phrase, embarrassingly rich. That is not to say that all will be well. The task facing American policymakers is both large and delicate. Mistaken policies—doing too little or too much, or too late or too soon, or acting in ways that ignore the problems or preoccupations of the rest of the world—can easily produce a chapter's worth of trouble both here and abroad.

III. FACTS

In 1987, for the fifth year in a row, we purchased more goods and services than we produced, and covered the shortfall of $123 billion by importing more than we exported.[8] With the additional $38 billion that we paid foreigners in interest owed them by the U.S. government and in subsidies and gifts, the rest of the world acquired from the United States $161 billion more than it spent on American goods and services. Perforce, foreigners increased their holdings of American property and debt and currency by $161 billion more than we increased our holdings of their property and debt.[9]

It sounds bad, and it was, but it need not have been. Had we matched American disinvestment offshore by investing more at home, the resulting increase in our domestic assets would have offset the increase in our net liabilities abroad. To the extent that the return on such domestic investment would have exceeded the extra interest and profits we had to pay abroad, it would actually have been good business for us (subject to the usual balance-sheet considerations involving liquidity and fixity

[8] Throughout, I use official U.S. National Income and Product accounting conventions. For sources, see Appendix Note Two. All figures in the text are rounded.

[9] That does not count capital losses and gains incurred during the year that resulted from exchange rate movements, the stock market crash and the like, and does not take into account a large statistical discrepancy. Counting those, the rest of the world's "international investment position" improved by only about $100 billion. To the extent that the statistical discrepancy reflects the flow of flight capital into the United States, the $100 billion understates the deterioration in the U.S. position. To the extent that the net import figure fails to account for U.S. service exports, say to Canada, the $161 billion is an overstatement.

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of obligations, and to reasonable safeguards against excessive foreign control of critical industries). As long as the interest and profit that foreigners earn on their American investments exceeds what they could have earned at home, it is also good business for them.

What matters mainly is our wealth *overall* (what Americans own abroad and at home, less what we owe to the rest of the world), and whether we are saving and investing enough of our national income to make that total grow fast enough. The answer depends, of course, on how one values consumption in the future in relation to consumption now. Still, the facts are startling.

In 1987 net *domestic investment*—private investment in residential housing and business-owned plant and equipment, net of investment needed to offset depreciation, and equivalently "hard" net civilian investment by government—amounted to $261 billion, or 5.8 percent of the GNP. Subtracting the $161 billion of American *disinvestment abroad*, we devoted $100 billion, or 2.2 percent of the GNP, to increasing U.S. net worth exclusive of investment in household durable equipment, defense and "soft" investment in health, education and the like. That 2.2-percent net-national-investment-to-GNP ratio in 1987 compares to average ratios of 9.4 percent during the 1950s, 9.7 percent during the 1960s and 8.1 percent during the 1970s. As recently as 1979, the ratio was 8.2 percent; the 1982–87 average was 2.7 percent. The 1982–87 ratios set a record low for the 39 years for which there exist comparable figures.[10]

Between 1950–79 and 1987, the share in GNP of net national investment—the share that measures the net increase in our wealth overall—went down by 6.8 percentage points. Three shares went up. About a quarter of the 6.8 percentage points that were no longer going into net investment went instead into extra "replacement" investment that was needed to offset faster depreciation of the private and public physical capital

[10] The reduction in the net national investment share, from its average value of nine percent during 1950–79 to 2.2 percent in 1987, has been masked to a degree by the fact that two-thirds of the 6.8-percentage-point decline occurred not in net private investment at home, but rather in net *government* civilian investment, and in net U.S. investment *offshore*, a consequence mainly of the shift from net exports to net imports. (These figures do not take into account investment in defense assets such as durable military equipment. Augmented by net defense investment, the 1959–79 national investment share does not change at all. However, the 1987 national investment share increases by about one-half a percentage point. Counting defense investment, therefore, the decline in the investment ratio was about 6.3 percentage points. The calculation in the text is thus conservative with respect to the conclusion that, within wide limits, we can afford whatever defense we need.)

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stock, a consequence of a shorter-lived capital stock. Not quite another quarter went into increased government civilian consumption and defense. Over *one-half* went to increase the share of *personal* consumption, which increased from 63 percent of GNP in 1950–79 to 66.5 percent in 1987. As a result, personal consumption per representative family of 3.21 persons increased, on an inflation-adjusted basis, from $33,500 in 1979 to $39,700 in 1987. Had the consumption share remained at its 1950–79 average of 63 percent, consumption per family in 1987 would have been only $37,600. (Measured in 1987 dollars, consumption per family was $19,200 in 1949, $22,100 in 1959, and $28,000 in 1969.)

Some other facts are worth noting:

—There are no official statistics on the consumption of the poor, but I estimate from related data that in 1987 the average consumption of persons below the poverty level came to about $8,100 per representative family of 3.21 persons; that of non-poor families of the same size was about $44,600 (itself an average of a very uneven distribution). The officially poor—13.6 percent of the population—accounted for only 2.8 percent of personal consumption.[11]

—The 1.4-percentage point increase in the combined shares of government civilian consumption and defense between 1950–79 and 1987 reflects a 2.9-point increase in the share of state and local government consumption (10.2 percent in 1987), a virtual standstill in the share of federal civilian consumption (1.5 percent), and a reduction in the defense share from 8.1 percent to 6.5 percent. The part played by defense depends of course on what years one compares 1987 with. Between 1978 and 1987, the defense share *increased* from a post-1948 low of 4.8 percent to 6.5 percent.

IV. CAUSES

Investment during the last half-dozen years (including American foreign investment that results from net exports) has been much lower than before, and consumption (private plus public, including defense) markedly higher. At the same time, the sum of the two—*total* spending on American goods and services—

[11] For the method used in estimating the division of personal consumption between the poor and non-poor, see Appendix Note Three.

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has been just right: we have enjoyed, at least until very recently, a picture-perfect, inflation-safe recovery. Both results—one presumably bad, the other good—have been the product of the same macroeconomic policy. (The answer to the hotly debated question whether recent macroeconomic policy has been good or bad is that it has been both.)

Consider investment. Its share has been low mainly because high American real interest rates—higher than those abroad during 1981–1985—caused it to be low. By raising the cost of capital, high American real interest rates discouraged domestic investment in plant, equipment, inventories and housing. By inducing foreigners to bid for dollars to buy high-yielding American securities, high rates in the United States relative to rates abroad caused the dollar to appreciate; the expensive dollar caused our imports to rise and our exports to fall (Figures 1, 2 and 3). Had foreign money not been as responsive to the interest premium available in New York, the exchange rate would have risen less, but American interest rates would have risen even more. As a result, net exports would have suffered less, but domestic investment would have suffered more.

Other things played a part. To keep trade in balance after 1980, the dollar would have had to *depreciate* to offset the effect of faster real income expansion and faster inflation here than abroad, and perhaps also to offset what may be a gradual deterioration in our underlying competitive position. But whatever the truth about the underlying trend, the exchange rate has played the crucial mediating role. It follows that the real interest rate *differential* that caused the exchange rate to rise (except for the speculative blow-off during the last few months of 1984) has been crucial.

Ask an American newspaper reader what caused American interest rates to be so high; he will blame the federal budget deficit. Though not wrong, that answer is incomplete. It misses the decisive part played by the Federal Reserve.

The connection between budget deficits and interest rates is more complicated than the usual story about government bonds absorbing private saving. In the absence of countervailing action by the Federal Reserve, a *passive* increase in the budget deficit—an increase caused by a spontaneous *reduction* in private demand that causes producers to curtail output, thus reducing national income and the tax base, as in a recession—will be generally accompanied by a *decrease* in the demand for money and credit, and therefore a decline in interest rates.

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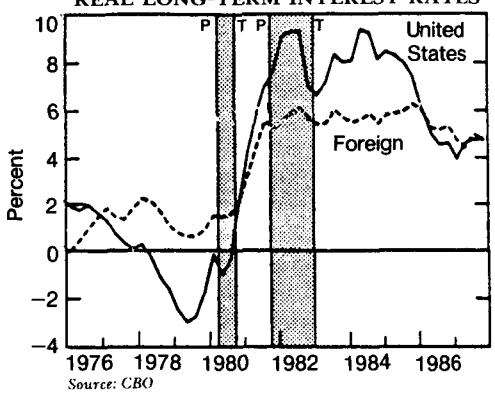
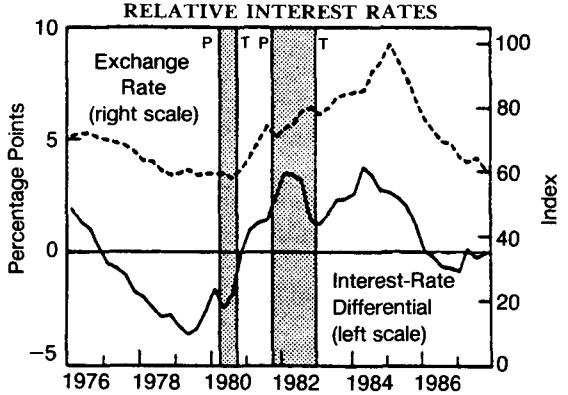
FIGURE 1*
REAL LONG-TERM INTEREST RATES



Source: CBO

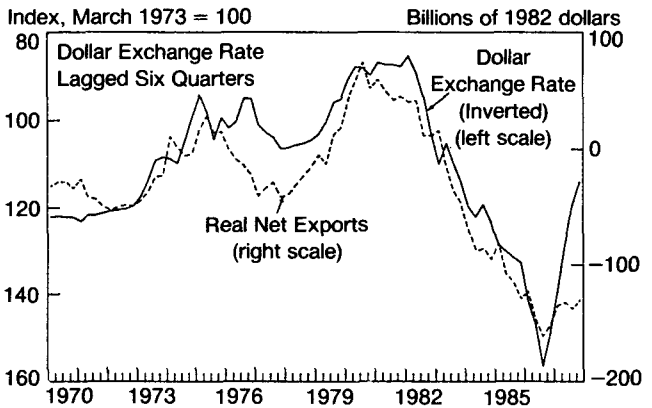
FIGURE 2*
THE REAL EXCHANGE RATE AND RELATIVE INTEREST RATES



Source: CBO

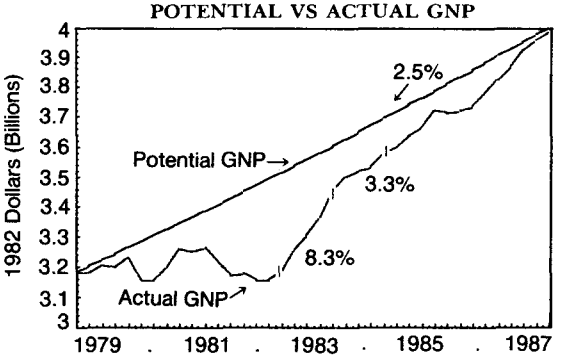
* Shaded areas mark recessions. "P" and "T" indicate "peak" and "trough," respectively.

FIGURE 3
THE DOLLAR AND REAL NET EXPORTS



Source: CEA

FIGURE 4
POTENTIAL VS ACTUAL GNP



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It takes an *active* increase in the deficit, as caused for example by tax legislation that boosts after-tax incomes, spending and output, to put upward pressure on interest rates. Faced with financing a larger dollar volume of transactions, corporate treasurers and households typically try to increase their average working balances of "money" (currency and checkable deposits). The increase in the demand for money will cause interest rates to rise *unless* the Federal Reserve allows the supply of money to rise in step with the demand for it.

By means of its open-market purchases and sales of government securities and their effect on bank reserves, the Federal Reserve exercises virtually complete control over short-term interest rates. It also exerts—certainly can exert—a great deal of control over long-term rates. In 1983, with inflation under control, Paul Volcker and his colleagues could easily have held interest rates down. They chose instead—I think they were right—to drive rates up, and then to keep real rates at record levels (during 1983–85, much higher than rates abroad).

Figure 4 suggests why. During 1983, the first year of recovery, output grew at an appropriately rapid 8.3-percent rate, causing the unemployment rate to fall from 10.2 percent to 7.9 percent in January of 1984. But by late 1983, with idle capacity and unemployment still shrinking rapidly, and with potential, inflation-safe output growing only by about 2.5 percent a year, the Federal Reserve—determined to prevent too rapid a tightening of labor markets and goods markets from putting undue pressure on the price level—decided it had to slow down the pace of growth. It succeeded brilliantly, driving up interest rates just enough to assure a gradual, inflation-safe approach to full employment.

This is where the federal budget comes in. To achieve that inflation-safe approach, the Federal Reserve contrived to hold the increase in the annual rate of total spending, between the first half of 1984 and the first half of 1985, to $238 billion. But a stimulative federal budget in the face of a falling personal saving rate was causing two of the four components of total spending—government purchases and personal consumption—to increase by *$265 billion*. To make room, the Federal Reserve used high interest rates to reduce the other two components of spending—investment and net exports—by $27 billion. The resulting $238 billion increase in total spending caused total real output to grow at a desirably moderate, inflation-safe rate of 3.3 percent. But all that growth and more

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went into personal consumption (up by 4.4 percent) and government purchases (up by 6.7 percent, with federal purchases up by 9.7 percent). Domestic investment fell by 2.4 percent, and the excess of imports over exports grew by almost 18 percent.

For domestic investment and net exports to have retained the shares they had in early 1984 within the $238-billion increase in total spending, they would have had to increase by $39 billion, instead of falling by $27 billion—a $66-billion difference. That would have been possible had government purchases been scaled back by $66 billion. Or taxes could have been raised and transfers cut by about $88 billion, enough to cause a scaling back of personal consumption by $66 billion.[12] Or some combination. Depending on the mix, the budget would have had to have been $66 billion to $88 billion "tighter" than it actually was. If at the same time the Federal Reserve had succeeded in lowering interest rates enough to cause investment and net exports to take up the slack, the federal budget deficit would have been smaller by between $66 billion and $88 billion. And investment and net exports would have been greater by $66 billion.

Since 1983 and at least until recently, the Federal Reserve has been remarkably successful in nudging the economy along an inflation-safe recovery path. To keep total spending in check, in the face of the large budget-driven increases in government purchases and personal consumption, it has had to use high interest rates to crowd out investment and net exports. That more net exports were crowded out than domestic investment was coincidental. Tight fiscal policies abroad and Third World debt depressed foreign demand for U.S. goods. A speculative rush in 1984 drove the dollar higher, and with central bank assistance kept it overvalued longer, than can be explained by the interest rate differential alone. Portfolio managers responded to the positive interest rate differential more quickly, and buyers and sellers of goods responded to the cheapening dollar after early 1985 more slowly than in the past. Investment as a whole was hurt by the spontaneous decline in the *personal* saving rate—a decline not well understood, though demographics and rising real-estate and equity prices played a part. But a much tighter federal budget during

[12] As a rough rule of thumb, it takes a $1.33 cut in household disposable (after-tax) income to elicit a $1 cut in personal consumption.

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1984–87, combined with a much easier monetary policy, could have offset the effect of all that on the national investment rate.

During 1973–82, plagued by oil price shocks and then a very high inherited rate of underlying inflation, the policymakers had no cheerful choices available. During 1984–88 that was not the case; neither external events nor even errors in forecasting played a role. The successes and the failures both have been the predictable result of policy.

V. CHOICES

Suppose we wanted to: (1) *quadruple* by 1993 the percentage share of net national investment in potential GNP, restoring it to its 1950–79 average value of nine percent; (2) allow government civilian consumption to grow in step with potential output; and (3) maintain real defense spending at its 1987 level. How much would we have to tighten our belts?

Option A in Table I suggests the answer. Even under the pessimistic assumption that the extra investment will yield no extra potential output until after 1993, the representative family would not have to suffer any reduction in its standard of living. While the share of personal consumption in GNP would fall to its lowest point since World War II, the *level* of real personal consumption per representative family of 3.21 persons would actually rise a little, from $39,655 in 1987 to $39,833. At least it would rise as measured in terms of command over goods and services produced in the United States. Assuming that between now and 1993 the dollar will have to depreciate another 10–15 percent in real, inflation-adjusted terms, the 1993 basket of goods and services available to a representative family, including the more expensive imports, would be about $500–$700 smaller than that. But a mere 9–12 months of growth during 1994 in line with potential output—or, if you will, extending the target date into late 1994—would offset that.[13]

While these numbers are meant to suggest only approximate magnitudes, the lesson is clear. We can maintain real defense spending at its 1987 level, allow civilian consumption by gov-

[13] In the above calculations, I follow the Congressional Budget Office in assuming that, between now and 1993, potential output will continue to grow at a relatively sluggish rate of 2.46 percent per annum. For the other assumptions that lie behind these results, see Appendix Note Four.

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TABLE 1

INCREASING NET NATIONAL INVESTMENT BY 1993: THREE OPTIONS[1]

	GNP	*Personal Consumption*	*State & Local Consumption*	*Federal Government Civilian Consumption*	*Defense Spending*	*Replacement Investment, Private & Public*[2]	*Net Domestic Investment, Private & Public*	*Net Exports*	*Net National Investment*[3]
Shares 1950–79	100.00%	63.01%	7.27%	1.42%	8.10%	10.57%	8.71%	0.93%	9.04%
Shares 1979	100.00%	62.47%	9.54%	1.85%	4.86%	12.48%	8.06%	0.75%	8.16%
Shares in 1987	100.00%	66.54%	10.19%	1.50%	6.52%	12.20%	5.76%	−2.72%	2.22%
Total in 1987 (billions)	$4526.7	$3012.1	$461.2	$68.0	$295.3	$552.4	$260.9	−$123.0	$100.6
Per family in 1987	$59,594	$39,655	$6,071	$895	$3,888	$7,272	$3,435	−$1,619	$1,324
OPTION A: FAST									
Shares in 1993	100.00%	60.27%	10.19%	1.50%	5.59%	12.20%	10.26%	0.00%	9.04%
Total in 1993 (billions)	$5283.8	$3184.4	$538.3	$79.3	$295.3	$644.8	$542.3	$0	$477.8
Per family in 1993	$66,092	$39,833	$6,733	$992	$3,694	$8,065	$6,783	$0	$5,976
OPTION B: SLOW									
Shares in 1993	100.00%	63.72%	10.19%	1.50%	5.59%	12.20%	7.00%	−0.19%	5.37%
Total in 1993 (billions)	$5283.8	$3366.9	$538.3	$79.3	$295.3	$644.8	$369.9	−$10.2	$283.6
Per family in 1993	$66,092	$42,114	$6,733	$992	$3,694	$8,065	$4,627	−$127	$3,548
OPTION C: MEDIUM									
Shares in 1993	100.00%	62.77%	10.19%	1.50%	5.59%	12.20%	7.94%	−0.19%	6.31%
Total in 1993 (billions)	$5283.8	$3316.7	$538.3	$79.3	$295.3	$644.8	$419.8	−$10.2	$333.5
Per family in 1993	$66,092	$41,486	$6,733	$992	$3,694	$8,065	$5,251	−$127	$4,172

[1] All dollars at 1987 prices. All per family figures for a standardized family of 3.21 persons. For assumptions behind the calculations in this table, see Appendix, Note Four.
[2] Replacement investment (private and government) is private and public depreciation on a replacement cost basis.
[3] Net national investment is net domestic investment (private and government) plus net exports minus unilateral transfers and interest paid by U.S. government to foreigners.

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ernment to increase in step with potential output, and *quadruple* the share of national investment in potential output, all within six or seven years, without ever having to reduce real personal consumption per representative family below the nearly $40,000 per year that it reached in 1987. If the extra investment were to yield any extra potential output before 1993, we could do even better.

From this perspective the level of defense spending is of secondary importance. Because consumption has at present a share of GNP ten times that of defense, large relative changes in the defense budget give rise to small relative changes in consumption. For example, increasing defense spending in step with potential output, from $295 billion in 1987 to $345 billion in 1993, would reduce the consumption of the representative family in 1993 by only $625 below the nearly $40,000 that it otherwise could be. Conversely, were we to reduce the share of defense in potential output to its 30-year low of 4.8 percent, the resulting $39-billion saving in defense spending would allow the representative family to increase its consumption by only $488. (Real defense spending would fall to its 1984 level of $256 billion.)

That is not to say that such a $39-billion saving in defense spending is trivial. The $488 increase in *average* family consumption that it would make possible in 1993—from $39,833 with a constant real defense budget, to $40,321—may not seem like much. But suppose the entire saving were deployed to increase the consumption of the poorest 13.6 percent of the population (the percentage now counted as poor) from $8,100 per poor family in 1987 (and $8,900 in 1993–94 with defense spending flat) to $12,500? Anyone who believes that the condition of the poor in the United States is a disgrace, as well as grossly uneconomic, and that the defense budget contains a lot of fat, should want to ask some very hard questions of the proponents of that last $39-billion of defense. At the same time he should remind himself that we could effect the same improvement in the consumption of the poor, with real defense spending constant and investment quadrupling, by reducing the consumption of the rest of us from $44,635 per family currently to $44,137 by 1993–94.[14]

[14] In these calculations I have assumed, implausibly, a costless transfer of income from the non-poor to the poor. Because of overhead costs and perverse incentive effects, transfers are necessarily much less than perfectly efficient. (Poverty, of course, generates its own inefficiencies.) It remains true that $39 billion, which could make a very large impact on the incomes of the poor, would make only a small impact on the incomes of households generally.

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There is nothing intrinsically desirable about the 1950–79 investment share of nine percent—my purpose here is to explore, not to advocate. In any case, a nine-percent investment share *by 1993* would probably prove to be too ambitious a goal. Six or even seven years is a very short time for a peacetime reallocation of resources comparable to the four-year shift to defense and investment during the Korean War. The task would be still harder now: we began in 1949 with lots of idle capacity, and allowed output to increase far beyond the economy's inflation-safe capacity, relying instead on price controls.

A more leisurely program, as in Option B of Table I, would put us on track to achieve a nine-percent investment share in 12 years, not six or seven; long before we reached the end, we could review the results and change our minds. With real defense spending held constant for six years, the national investment share in Option B increases only to 5.4 percent in 1993. Still, that would be more than twice the 1987 ratio. And as a result of that slower pace, personal consumption per family, instead of remaining flat for six or seven years, as in Option A, could continue to increase from $39,655 in 1987 to $42,114 by 1993–94.

Option C reflects a compromise. It would put us on track to reach a nine-percent investment ratio by *1997*. By 1993 the national investment share would reach 6.3 percent, in contrast to Option B's 5.4 percent. As a result personal consumption per family would reach only $41,486 by 1993.

These are rudimentary calculations, partial and arbitrary in many ways. A national economic commission with the right mandate—or a national administration that is serious about the allocation of resources in the United States—would want to explore many more options in more refined detail, and pay attention to a number of issues I have ignored altogether (for example, how investment is divided among claims on foreign countries, domestic plant and equipment, housing, infrastructure, education, research and so on, and the future benefit, inevitably uncertain, that each kind may yield.) Still, the general approach of Table I and even the rough orders of magnitude are, I think, right, and they point to two qualitative truths: first, we have a lot of choice; and second, we can, if we will, solve our problems without great pain. If, nevertheless, we

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suffer pain, inescapable economic scarcity will not be the cause.[15]

VI. POLICIES

Balancing the budget is an exercise equated with prudence and virtue, and there is no doubt that, in combination with a stimulative monetary policy, it would have done the country a power of good in the last five years. As a general guide to action, however, balance is not a helpful rule—not, that is, if prosperity, growth and keeping inflation in check are the aim.[16]

The case against balance is clearest when the deficit is rising because the economy is declining. Then to raise taxes or cut spending, in a perverse attempt to make the deficit smaller, is like shooting holes in your parachute: it will make the economy fall faster. A less damaging rule calls for balance in the *structural* budget, that is, what the budget would be at potential output, or full employment. On this basis a deficit that would occur automatically during recession would shrink to vanishing point when recovery came; surpluses during booms would help counter inflation. Swings in the budget caused by swings in the economy would help restrain the economic fluctuations that caused them.

Requiring balance in the structural budget would at least keep the government from doing active fiscal damage. The responsibility for taking countercyclical action would be left to the Federal Reserve. The trouble there is that, in fighting recession, monetary policy by itself may not be very effective. With orders and sales falling, and lots of capacity idle, even much lower interest rates might not induce businessmen to step up their investment spending. But even if the Federal Reserve were completely successful there is no presumption that the resulting fiscal outcome, a budget in continuous near-balance, would yield a satisfactory *economic* outcome. The question, once again, concerns investment versus consumption.

The point can be illustrated by the experience of 1987. The federal deficit, at 3.5 percent of the GNP, measured $158 billion. If federal noninvestment purchases had been $158

[15] If readers of *Foreign Affairs* react the way participants in the executive programs in which I teach react when exposed to these calculations, a majority will vote for the ambitious program of Option A. If you do, please remind yourself of that vote after reading Part VI.

[16] Throughout, "budget" will refer to the federal government's current-account ("operating") budget, including Social Security, but excluding federal investment. "Deficit" and "surplus" will refer to the balance in that budget.

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billion lower, and if—a critical "if"—domestic investment and net exports had been $158 billion higher, the federal budget would have been in balance, and the investment *share*, at 5.7 percent, would have been 3.5 points larger. That would have been an enormous improvement, but the investment share still would have been smaller than in any year between 1950 and 1981—smaller by a third than the 1950–79 average.

That leads to the bad news. Unless private saving rates improve dramatically, making room for enough investment will entail more stringent fiscal action than merely *balancing* the structural budget.[17]

To supplement meager private saving, we need *positive* government saving. Making the investment actually happen—drawing the resources released by fiscal tightening into producing machine tools and exports—will require timely and aggressive monetary action. And avoiding damage abroad—an important American goal—will require fiscal and monetary action by foreign governments. How much American action, and what kind, depends on what total output and composition of output we want to try for.

Consider, for example, the U.S. *fiscal* steps that would be needed to make possible Option B's relatively modest 3.8-percentage point increase by 1993 in the combined shares of domestic investment and net exports. Built-in changes in the Congressional Budget Office's baseline structural budget would by 1993 compress federal purchases and personal consumption by perhaps 1.5 of the needed 3.8 percentage points. To make up the 2.3-point shortfall—it would amount to $153 billion in 1993 prices ($\approx .023 \times \$6{,}670$ billion, the CBO's estimate of potential nominal GNP in 1993)—we could cut purchases in the 1993 baseline budget by $153 billion. Or we could raise taxes, or cut transfer plus interest payments, by $1.33 \times \$153$ billion = $204 billion, thus compressing personal consumption by $153 billion.[18] Or, more reasonably, we could

[17] In principle we could change the tax structure in ways that would encourage private saving, for example by taxing only real, as distinct from nominal, investment income. There is, however, a good deal of uncertainty about the responsiveness of private saving to relatively higher after-tax real yields. Another objection is that most such measures would increase the inequality of income. As Professor James Tobin put it, "We should be cautious in seeking remedies that would increase contemporaneous inequalities of income and wealth in order to increase saving and investment for the benefit of future consumers, most of whom will be better off than most Americans today." (Tobin, "Comment," in Stanley Fischer, ed., *NBER Macroeconomics Annual* 1988, Cambridge: MIT Press, p. 109.)

[18] I rely again, cautiously, on the empirical observation that a $1.33 cut in disposable income will elicit something like a $1 cut in personal consumption.

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combine the two methods. Depending on the mix, we would have to keep tightening the baseline budget each year for six years by an extra $26 billion to $34 billion, or $23 billion to $30 billion measured in current prices, including interest savings. Instead of an operating deficit of 3.4 percent of GNP, as in 1987, the structural budget in 1993 would show a surplus of between 0.4 percent and 1.2 percent, or $31 billion to $82 billion in 1993 prices. Such a program, marginally more ambitious than Gramm-Rudman-Hollings, would make possible by 1993 a 5.4-percent rate of net national investment. That would be more than twice 1987's 2.2-percent rate, but still less than two-thirds the nine-percent investment rate of 1950–79.[19]

Achieving the much more ambitious target of Option A, full restoration by 1993 of a nine-percent rate of national investment, would entail much stronger action. Under Option A the baseline structural surplus in 1993 would have to be $388 billion in 1993 prices (5.8 percent of potential output), as against $31 billion to $82 billion in the slow adjustment program. To achieve that, we would have to tighten the baseline budget an extra $85 billion each year for six years ($75 billion in current prices), for an annual saving by 1993 of $510 billion in 1993 prices. Option C lies in between. Six yearly tax increases or transfer plus interest payment reductions of $48 billion ($43 billion at current prices), sufficient to produce a structural surplus by 1993 of $165 billion in 1993 prices, would free enough resources for an investment rate by 1993 of 6.3 percent.

These are very rough calculations, and they may be too pessimistic. Private saving rates may improve—demographics point that way—and consumption is unlikely to get the boost from rising home equity and stock market prices that it received during the mid-1980s. Faster-than-expected growth in productivity and income would make revenues grow faster. But barring good fortune, a respectable national investment rate will entail years of *positive* federal saving. Aggressive budget tightening—more aggressive than would suffice merely to balance the structural operating budget—is a necessary action.

Necessary, but not sufficient. The goal is to shift resources from public and private consumption, not into unemployment

[19] Note Five in the Appendix spells out the assumptions behind these calculations. (Obviously the exact numbers are not the point; to keep the arithmetic consistent, and thus comprehensible, I have resisted the temptation to round them off even further.)

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and non-use, but into investment and net exports. By itself, fiscal tightening will serve only to compress consumption and government purchases, thus releasing resources—that is, workers and capacity. Except when the economy is overheated, that is not a desirable outcome. To draw those resources into producing capital goods and exports, three other things must happen. The Federal Reserve has to drive American interest rates down not only to encourage business investment (and state and local investment), but also to cause the dollar to become cheap enough to induce foreigners and Americans to switch more of their spending from foreign goods to American goods. To keep such switching from causing a recession abroad, foreign governments, especially the Germans and the Japanese, have to take expansionary fiscal action. Third, the U.S. government must increase its own investment spending.

Bringing about a large shift of resources from consumption to investment is a massive yet delicate operation, best done gradually and when the economy is expanding. A multiyear budget plan is indispensable. It must contain a definite schedule of year-to-year changes in the *structural* balance that reflects our preferred allocation targets. But such a plan must leave room for temporary adjustments. While fiscal compression works predictably and quickly, monetary easing, working in part through the exchange rate, works only uncertainly and slowly—the lags are variable and long. Timing is critical. Mistakes are bound to happen. The essential point is that we not respond to mistakes in ways that will compound them. In that respect, responding to the movements of the deficit is likely to produce just the wrong reaction.

Should weakness in private spending, in the face of fiscal tightness, cause total spending to fall below its inflation-safe target, the first line of defense would be for the Federal Reserve to drive interest rates even lower. But should we slide into a full-scale recession, we should be prepared to take *temporary* fiscal action that will make the deficit grow even faster than the recession would automatically cause it to do. When output is at less than an inflation-safe level—when there is an excess supply of capacity and labor—deficit-financed government spending, or tax-cut-induced increases in consumption, if accompanied by an appropriately accommodating monetary policy, will result in *more* rather than less investment. (In that kind of situation business investment is limited by too little demand for noninvestment goods. Even at low interest rates, producers

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are not usually eager to borrow more money to add machines to an already growing stock of idle machines.)

The argument works both ways. In the face of excess demand and imminent inflation, we should not leave it to the Federal Reserve alone to restrain demand. Rather we should tighten the budget even faster than we otherwise would, thus making a shrinking deficit shrink even faster.

In this argument I have left questions of political feasibility aside. Even technically, none of this is easy, and our political arrangements—the sharing of power among disparate, sometimes adversarial, institutions—do not make it any easier. But I believe the decisive cause of our current deadlock is confusion. To find the skill and the will needed for progress, we need a clear understanding of the nature and scope of the problem, and presidential leadership that is informed by that understanding. In particular, we must overcome our preoccupation with false targets.

VII. FALSE TARGETS

Deficits and debt, whether domestic or foreign, are not good or bad as such, any more than are taxes, government spending, high or low interest rates, or a cheaper or dearer dollar. They are good or bad according to what effect we want fiscal and monetary policy to have on national output, employment and inflation, and on the allocation of output among public and private investment and consumption.[20] I do not say that those first things do not matter. But within wide limits they matter less, and treating them as goals is likely to be costly. Instruments are scarce relative to targets, and as often as not targets are alternatives, or at least rivals; the more of them you try to hit, the more likely you are to miss some. In hot pursuit of some secondary or shibboleth goal, we are apt to lose sight of what matters.

Setting an arbitrary limit on growth in the domestic public debt is a case in point. Even if it does not get in the way of

[20] I spell out the reasoning behind these assertions in great detail in "Fiscal and Monetary Policy: In Search of a Doctrine," in *Studies in Tax/Fiscal Policy*, Washington: Center for National Policy, 1982.

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debt finance during recessions, it diverts attention from the underlying choice between investment and consumption.[21]

But should we not at least set a target for the trade balance and foreign debt, or, as some have recommended, for the exchange rate? Start with foreign debt. Unlike domestic borrowing, borrowing from abroad makes available for American use extra resources, over and above the domestic resources that are available to us. But in return, foreigners acquire claims on future American output. Whether that is a good bargain depends mainly on what we do with the money. Putting aside the scare talk about the United States having become the world's greatest debtor—we are richer than any creditor, and comparison with Third World countries is silly—borrowing abroad to make extra consumption possible is generally not a good idea, except in a dire national emergency (I think of Britain in 1940). But borrowing to finance additional investment is another matter.

It is entirely possible that, even once we achieve a satisfactory rate of *national* investment, our international current account will still be in deficit. It depends on the eagerness of savers and investors to own American property and debt. The greater the underlying demand for dollar assets in the face of lower American interest rates—a demand that remains untested as long as the dollar is thought to be overvalued—the less the dollar will depreciate, and the more negative the U.S. trade balance will be. But the inflow of foreign capital would cause American interest rates to be lower still, and, as a result, we would have more *domestic* investment. U.S. labor productivity would benefit, and even apart from that, we would be somewhat richer as measured by command over foreign goods. Upward pressure on the U.S. price level during the transition would be less, and the adjustment would be less likely to cause a recession and a protectionist reaction abroad. The disadvantage for us would be more foreign debt and foreign owners, but there would be more assets for everybody to own. (In a steady state, I doubt that a large import surplus, fully offset by extra domestic

[21] It would be different if the federal public debt as such constituted a danger. It doesn't. Briefly during the early 1980s, the debt/GNP ratio increased at an explosive tempo, but the Social Security Commission and Gramm-Rudman fixed that. Currently, at 43 percent of the GNP and slated to fall to 41 percent by 1993 without any further budget tightening, it simply does not pose a first-order problem. Excessive *private* debt is another matter. In a recession, it could cause serious trouble. The ratio of the federal debt held by the public to GNP fell from 114 percent in 1946 to 24.3 percent in 1974 and 26.3 percent in 1981. (From *Economic Report of the President*, Washington: G.P.O., January 1989.)

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investment, would give rise to much protectionist pressure at home. It is transitions that are tough.)

If we find ourselves in that situation, we should leave well enough alone, at least for the time being.[22] Once we have achieved a satisfactory rate of national investment, improving the trade balance by macroeconomic means would be very costly. Driving down U.S. interest rates still further, and thus causing the exchange rate to fall, would certainly stimulate net exports. But if output is already near its inflation-safe potential, the result would be more inflation. Tightening the budget would, by reducing income and thus imports, also improve the trade balance. But for each dollar of improvement we would lose perhaps five dollars of output.

Combining the two methods—fiscal tightening and monetary easing—would result in more domestic investment and more net exports, and not cause inflation. But it would further depress consumption. In our present predicament, that is exactly what is needed. But there is a limit to how much we should favor the future over the present. The one thing we can be relatively sure of, barring some catastrophe, is that, if we take timely action, our children as a whole will be richer than we are, and our grandchildren will be richer than our children.

The temptation to control the *exchange rate* is more likely to arise in the opposite situation, one in which the rest of the world is reluctant to acquire more dollars—even after adjustment, when the dollar is thought to be near its long-term equilibrium value. The dollar in that event would end up cheaper, domestic interest rates higher and domestic investment lower, but net exports would be stronger. Whatever the advantages or disadvantages of that final outcome, the process of adjustment in a dollar-sated world is likely to be harder. The very anticipation that the dollar has much further to fall makes a run against the dollar more likely.

To say that the rest of the world may stop lending to us is to misdescribe that situation. Literally, it cannot. As long as it sells to us more than it buys from us, it is stuck with lending back to us the excess dollars it earns. Of course, any foreign

[22] Over the longer term, it seems to me unwise for the world's richest country to remain a net importer of savings, even if economic efficiency would be served by a still greater concentration of capital. We have a considerable stake in the economic development of the poor countries. To serve that interest, we should eventually position ourselves to become once again a net exporter of capital.

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holder of dollars may sell his dollars. If there are more dollars for sale than demand for them, the foreign exchange price of the dollar will fall to whatever level will eliminate the excess supply. (Foreign central banks, eager to protect their exporters, are among the potential buyers.)

In the face of a run against the dollar, should the macromanagers try to protect the exchange rate? If the domestic economy is then suffering from too much total demand, and the stock market is not in a panic, there is no dilemma. The right reaction then is to tighten fiscal policy faster, and temporarily to allow interest rates to go higher. The hard choice comes if a flight from the dollar occurs at a time of incipient or actual recession, whether or not it triggers a stock market panic. Tightening money then to protect the exchange rate, or even taking restrictive fiscal action, would damage the real economy. The less risky course would be to commit ourselves as best we could to whatever *future* budget tightening would serve our long-term investment targets, but in the near term to counter the upward pressure on interest rates by means of aggressively expansionary monetary action even though that would exacerbate the fall in the exchange rate.

With respect to the exchange rate in such an emergency situation, the right step would be to engage the other major central banks in a crash negotiation. The object would be not to try to support the dollar at an unsustainable level but to bite the bullet, get ahead of the market and agree to a publicly announced floor for the dollar. It would be essential that the floor be set low enough to assure all buyers of dollars, including central banks, that at that price the dollar was a spectacularly good buy in terms of fundamental value.

From the U.S. perspective, such a rapid decline in the exchange rate would not be an unmitigated disadvantage. It is not even clear that the effect of a rapid depreciation on the underlying inflation would be greater than that of a slow depreciation, assuming that we take timely fiscal action to offset the effect on demand of the resulting spurt in net exports.[23]

The greater burden would fall on the countries whose currencies would have suddenly become much more expensive.

[23] The question comes down to whether nominal wage rates respond more strongly to a sudden one-time jump in the consumer price index, or to a longer-lasting gradual increase of the same total magnitude.

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Potentially, that would make them richer. It will certainly help them contain inflation. But the relatively rapid switch of world spending toward American goods and away from foreign goods that would result, on top of the switch that is already occurring as a result of past depreciation, would have to be offset by foreign governments taking very strong expansionary fiscal action.

What about targeting the exchange rate in the absence of an exchange market crisis? The direct stake of the rest of the world in the speed at which the dollar depreciates is greater than our stake. The U.S. position should not be one of benign neglect, or a callous disregard of their problems—arrogant talk of "unwanted foreign advice" is not helpful. Rather, we should encourage them to intervene in the exchange markets according to what path of depreciation will best serve their needs. At the same time, we should explain to them why we think it would be foolish for us, and for them, if we drove up American interest rates or took fiscal action that would throw the American economy and very likely the world economy into a recession or depression.

The general rule is: concentrate on the major targets—national output, employment, inflation and the division of output among public services, personal consumption, and private and public investment.

VIII. OPINIONS

Unless we care much less about the future now than we ever did before, we need to increase investment—hard and soft, public and private. Without more investment or unreasonably good luck, our incomes are likely to grow much more slowly than we became accustomed to during the first 25 years after World War II. With not enough new wealth to go around, any one person's gain would have to come mostly from other people's losses. Increasingly, conflict over the distribution of wealth would become our main political preoccupation.

Exactly how much more investment we should eventually try for is a question we don't have to settle now. Because there is uncertainty about the payoff, the way to proceed is by trial and

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error.[24] With a relatively modest program along the lines of Option B, or even with Option C's somewhat more ambitious effort, we are unlikely to overdo it. In five or six years we can see what the payoff has been and set new targets. The point now is to get started. For that we have to decide how much of the shift to investment should come out of government civilian consumption, how much out of defense, and how much out of personal consumption.

I start from the premise that it is *our* money, not the government's. It follows that it would be much better to cut wasteful public consumption than to cut even frivolous personal consumption. The question is what to do if, for whatever organizational or political reason, we cannot get our hands on anywhere near enough wasteful government consumption. Forgoing the investment, or cutting public consumption that is patently more valuable than the least valuable dollars of personal consumption, is not a good idea. The question takes on even more force if one believes, as I do, that to avoid having to raise taxes or cut middle-class transfer payments, we have been seriously skimping on civilian public services—in education, for example—that are far more important than the least important kinds of personal consumption.[25]

In my opinion, neither the relatively small amounts of federal civilian consumption, nor the part of state and local consumption that is directly affected by the federal budget through grants-in-aid, offers a promising target. While I recognize that spending more money is only a necessary and not a sufficient condition for improvement, we can afford—and I think we need—not fewer but more and better public services.

The question of defense seems to me more complicated. Maybe there are unmet defense needs that could not be provided for out of current levels of defense spending—defense

[24] Economists are unable to distinguish sharply how much of past growth in potential output has been due to investment of various kinds, and how much to those changes in knowledge, skill, health and organization that are not closely tied even to soft investment. With respect to the future, the uncertainty is an order of magnitude greater. Still, there is strong cross-national evidence that high investment rates go with faster growth in potential output. At the least, we know we can earn the real financial interest rate: three to five percent, just by buying back our own foreign debt. But in the end, the inevitably political choice about the national level of saving and investment entails a gamble.

[25] The government does not have to decide which items of personal consumption are least important. The effect of higher income taxes, or lower transfer payments, is to squeeze out what the affected individuals think is least important. When the government decides what taxes to raise, and what transfers to cut, it is inescapably involved in deciding what classes or groups of people should have to reduce their consumption.

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needs that are of higher value than the least valuable kinds of personal or public civilian consumption. But I think that the burden of proof lies with those who think so. That there is waste in the defense budget—not just "waste and abuse" waste, but spending on fundamentally misconceived programs—is acknowledged by even the most energetic advocates of defense. Moreover, unlike most civilian government consumption, defense is entirely under federal control, and absorbs four times the resources absorbed by federal civilian consumption. (Federal transfer payments are another matter, but they subsidize mainly personal consumption, not public consumption.)

So it is not my intent here to defend the present defense budget—it has defenders enough. But I do want to defend what I think are the second most valuable set of defense dollars, those required to maintain a large American army in Europe. Next to a secure, controllable strategic deterrent with plenty of reserve capacity, and a very few other things, the soldiers in Europe, appropriately backed up, matter most for American safety. Reducing their number unilaterally under the current, promisingly uncertain international circumstances or even threatening to cut them to secure a better sharing of the defense burden would be a great mistake. Not that I think that the Russians are about to invade Western Europe, or that they would do so following a major American cutback. Deterrence has proved itself to be very robust indeed, despite the conventional superiority that the Warsaw Pact enjoys. And it is reasonable to hope that during the next several years we may be able to negotiate major rearrangements in both conventional and nuclear forces that will lead to even greater stability and also reduce costs.

But as long as Germany is divided, oversized Russian armies are poised on the Elbe, Eastern Europe's political future is in flux and Moscow's politics and policies are subject to sudden change, nuclear deterrence is necessary, no matter who is saying what in the Kremlin. Credible nuclear deterrence demands in turn that there remain in Germany a large American conventional force, at least until there exists a truly European nuclear force that Germans, who are on the frontier, will confidently entrust with their own nuclear protection. A large American contingent is needed (1) so that Russians and West Europeans will know that any trouble on the frontier or in Berlin would inextricably engage the United States on a scale large enough to make the U.S. strategic force a vividly relevant

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counter despite the inescapable vulnerability of American cities, and (2) to give the United States adequate direct power in the management of a crisis, and in the likely absence of crisis, adequate influence.

The political and military shape of Europe is an American interest of the first order. It follows that, until there is some kind of resolution, if only by gradual evolution, of what remains a most unnatural condition in the center of Europe, the United States must play a major part. In Thomas Schelling's phrase of some three decades ago, Americans and West Europeans share a common frontier. On these large matters, we and they are in the same boat. Arguments about burden sharing are secondary. Whatever the rights and wrongs of the present distribution of the burden, the costs involved are negligible in my opinion when measured against the importance to the United States of confidence in the American commitment. In the absence of such confidence, the chances for cooperative Atlantic politics, and a safe winding down of the cold war, are slim.[26]

I am not saying that we cannot reduce defense spending safely. I am saying that we should cut only carefully, and that economic need should not be a major consideration. Within very wide limits, we can afford whatever defense we need. Just how much that is remains an open question. Much will depend on whether we and the Soviets manage to take advantage of the enormous opportunities for mutual gain that are available. But for us, if not for them, the political issues are paramount. When tempted to make defense cuts for narrowly economic reasons—defense cuts that would have negative political repercussions—we should keep in mind the results of Table I. We can quadruple net investment by 1993–94, while holding defense constant, without reducing personal consumption per representative family below the $40,000 a year or so that it is at present.

Failing a really dramatic breakthrough in arms control, most of the cuts to make room for the investment will have to come from personal consumption. The question is whose: taxpayers' in general? entitlement recipients'? how much from each? This is not the place to spell out a detailed program. Cutting some

[26] The argument is no different than it was in 1968. See F. M. Bator, "The Politics of Alliance: the United States and Western Europe," in *Agenda for the Nation*, Kermit Gordon, ed., Washington: Brookings Institution, 1968, pp. 335–372, and especially pp. 352–358. For a powerfully argued, but I think mistaken, contrary view on burden sharing, see Leonard Sullivan, Jr., *Testimony Before the House Subcommittee on Burdensharing*, May 12, 1988.

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middle-class entitlements strikes me as sensible. I think, for example, that income from Social Security should get the same tax treatment as any other income. But in general we should be careful about reneging on what people think they have been promised. Sin, energy and pollution taxes are simply good economics. Beyond that I would start by raising personal income taxes, but also, perhaps by 1992–93, phase in some kind of national sales tax, taking care to avoid damage to the poor. When thinking about the total tax burden we should remember that, in relation to national income, we are taxed much less than any other Western industrial nation.[27]

These views are based on personal value judgments. If anyone tells you that technical considerations of efficiency and incentives are a sufficient basis for these decisions, don't believe him. Incentives do matter, but in the end, the larger questions are inherently political.

But "political" does not mean arbitrary. There are real choices to be made here: choices not about deficits, or debt, or taxes, but about the best use of our labor and material resources. Opinions will differ about the best choices; that is what makes the problem political rather than merely technical. Helping to form, compare and compromise such opinions is the task for political leadership at its highest. Unless our elected leaders take the trouble to understand what these choices are, and have the courage to help explain them to the rest of us, we will continue to make them blindly and get what we want only by chance.

APPENDIX

I have had the benefit of helpful suggestions from too many friends to list here. For page-by-page commentary and editorial advice, I am especially indebted to McGeorge Bundy, Mark Kleiman, Elizabeth Midgley, John Midgley, Russell Murray and Edith Stokey. Evelyne Rodriguez, Alexander Schuessler and Pedro Zorilla provided superior computational assistance.

Note One. To adjust for rapidly shrinking household size, all per-family figures are calculated for a 3.21 person family, the 1986 average. *Statistical Abstract of the United States*, 1988, Table 55.

When I say that the United States is richer than in the past, I mean that real GNP per standardized family has never been as high as it is now. (The

[27] In relation to national product, the current receipts of all levels of government in 1986 measured 31.3 percent in the United States, 44.7 percent in West Germany, 47.1 percent in France, 41.9 percent in the United Kingdom, 39.2 percent in Canada, 61.5 percent in Sweden and 35 percent in Switzerland. The Japanese ratio was 31.3 percent. (OECD *Economic Outlook*, December 1988.)

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reported stagnation of real median family money income, as estimated by the Census Bureau, results from three statistical artifacts: shrinking household size, the exclusion of noncash income, and overcorrection for inflation by the consumer price index (see Paul Ryscavage, "Reconciling Divergent Trends in Real Income," *Monthly Labor Review*, July 1986.) To be sure, part of the reason we are richer is that we are working more. To keep getting richer faster without working more, we have to increase the rate of productivity growth. Much of this article is about what macroeconomic steps we need to take to make that happen.

The U.S.-Soviet comparison is based on data from the *Handbook of Economic Statistics 1988* (Central Intelligence Agency, Washington: G.P.O., September 1988).

For the comparison of national income per capita, I rely on Organization of Economic Cooperation and Development figures which compare the purchasing power of those incomes where they are earned and spent, including local prices of imported goods. See OECD *Economic Studies*, Autumn 1987. Changes in spot exchange rates do not measure changes in economic capacity or standard of living.

Note Two. The underlying data come from: (1) *The National Income and Product Accounts of the United States, 1929–82* (NIPA), and the *Survey of Current Business* July 1986, 1987 and 1988, U.S. Department of Commerce/Bureau of Economic Analysis; (2) *Trends in Public Investment*, Congressional Budget Office, December 1987, and worksheets provided by Jenifer Wishart, principal author of that excellent report; and (3), for population, *Bureau of the Census Release*, CB 88/48, Apr. 1, 1988.

Note Three. NIPA does not divide personal consumption between poor and non-poor consumers. The Census Bureau estimates the income of the officially poor, but counts only cash incomes (excluding, e.g., food stamps and health insurance). To estimate the income of the poor, I multiplied the NIPA figure for *total* pre-tax *personal* income by the Census Bureau's estimate of poor persons' share in cash income. To estimate the consumption spending of the poor, I assumed that they spend *all* of their pre-tax personal income on consumption. (See *Trends in Family Income: 1971–1986*, Congressional Budget Office, February 1988. I am grateful to Roberton C. Williams, the principal author of that report, and to Charles Nelson of the Census Bureau for advice.)

Note Four. The assumptions behind the calculations in Table I are as follows:

—*Potential* GNP. I follow the Congressional Budget Office in assuming that, between 1987 and 1993, average labor productivity—potential output per worker hour—will continue to grow at only 1.1 percent per annum; that the labor force will grow at 1.34 percent per annum; and therefore that potential output will grow at a relatively sluggish rate of 2.46 percent per annum. (Options B and C assume the same rate of growth after 1993, with faster productivity growth offsetting slower growth of the labor force.)

—*Population*. Between 1987 and 1993, population is projected to grow at an average rate of 0.85 percent per annum (*Bureau of the Census Release*, CB 88/48, Apr. 1, 1988.)

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—*Defense*. Real Defense Spending is maintained at 1987 levels until 1993.

—*Government civilian consumption*. Federal civilian plus state and local consumption are assumed to grow in step with potential output.

—*Option A* stipulates a net national investment rate of 9.04 percent for 1993. With net imports assumed to fall to zero by 1993, and an interest rate of five percent on the buildup of foreign debt in the interim, net private plus public domestic investment must increase to 10.26 percent by 1993.

—*Option B* stipulates a target investment rate of 5.37 percent in 1993, on the way to 9.04 percent by 2000. The current account deficit falls to zero by 2000. Real defense spending grows with potential output after 1993.

—*Option C* stipulates a 1993 net investment target of 6.31 percent, on the way to 9.04 percent by 1997. The current account deficit falls to zero by the year 2000. Real defense spending starts rising with potential output after 1997.

Note Five. The calculation of what federal fiscal actions are necessary to achieve the investment targets of Options A, B and C assume that (1) private saving habits remain unchanged; (2) the operating surpluses of state and local governments increase in step with potential output; and (3) that, under current rules, federal taxes and transfer plus interest payments in 1993 would accord with the current CBO baseline budget (*The Economic and Budget Outlook: An Update*, CBO, August 1988).

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Riordan Roett

PARAGUAY AFTER STROESSNER

Contrary to most predictions, General Alfredo Stroessner's 35-year rule as dictator of land-locked Paraguay ended abruptly in a violent coup d'état. The world had become so accustomed to the taciturn and repressive ruler that it was generally assumed he would escape the fate of his fellow despots in the western hemisphere—Anastasio Somoza in Nicaragua, Rafael Trujillo in the Dominican Republic, Augusto Pinochet in Chile—and leave office at a moment of his own choosing or die in bed with his boots on. Instead, early on February 3, 1989, he fell victim to a squabble among the thieves without honor who dominate Paraguay. With the fall of Stroessner, the hemisphere's most durable remaining dictator is the more charismatic but no less authoritarian Fidel Castro.

In contrast to his fellow dictators, Stroessner did not fall before the inexorable force of social revolution as did Somoza; nor did he die at the hands of disaffected members of his own security apparatus as was the fate of Trujillo. And unlike Pinochet, who has apparently if reluctantly bowed to the outcome of an honest plebiscite, Stroessner never dreamed of participating in a transition to democracy. There is a strong sense of continuity in the transfer of power that has occurred in Asunción; little is going to change in the short run.

Stroessner's replacement, General Andrés Rodríguez, is cut from the same cloth. Sixty-five years old, he served as second-in-command of the army after Stroessner and had close ties to the dictator and his family. After a split among Stroessner's supporters, Rodríguez responded to a threat to his own power by leading the coup against the dictator. There is no evidence that the two men differed on either ideology or specific government goals. Rodríguez had survived, very comfortably, throughout the dictatorship as one of its chief beneficiaries and as one of Stroessner's principal sources of support. Upon assuming power, however, Rodríguez quickly attempted to

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refurbish his public image with promises of democracy and respect for human rights. The general "permitted" his name to be put forward as the candidate of the long-ruling Colorado Party in the May 1 national elections.

However similar the two men's backgrounds, the despotic Stroessner era is over and it will be all but impossible to recreate *Stroessnismo* without the general. The interesting questions are whether forces will be unleashed in the foreseeable future to change the current equation of power in Paraguay, or whether a geriatric political elite can continue to convince the majority of Paraguayans that the absence of democracy is a necessary price that must be paid for continued social "peace" and political stability.

II

Even by the bizarre standards of Latin America's post-colonial history, Paraguay stands apart. The early patterns of Paraguayan political culture help provide a general framework for understanding why General Stroessner survived as long as he did and why the likelihood of immediate change is low. For better or worse, Stroessner's accession to power in 1954 fitted comfortably with the authoritarian tradition of the small country. The figure of the patriarch has been a familiar, if forbidding, reality in Paraguay's nearly two centuries of independence.

Napoleon Bonaparte's invasion of Spain and Portugal in the first decade of the nineteenth century unleashed a process of change in Latin America that continues today. As Spain's empire in the New World fragmented, tiny Paraguay was a relatively insignificant outpost on the river of the same name, upstream from Buenos Aires. In the territorial sorting-out of the various Spanish viceroyalties, Buenos Aires, the seat of the last viceroyalty created by Spain, attempted to force Asunción to join the emerging state of Argentina. Paraguayan forces fought successfully to repel the Argentines, establishing an important attribute of modern Paraguay: its fierce resistance to domination by its neighbors.

The new state fell under the domination of a dictatorial savant, Dr. José Gaspar Rodríguez de Francia, from 1814 until 1840. Dr. Francia, as he was known, undertook a policy of geographical isolation to quarantine the country from outside interference. The dictator imposed policies that produced an economically self-sufficient Paraguay; visitors were unwelcome

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and diplomatic relations with the outside world were deemed unimportant. Francia also forced the small surviving colonial elite to intermarry with the country's humble folk; he dominated the Roman Catholic Church, placed the armed forces under his personal command, and created a variant of state socialism in the southern cone. When the "dictator for life" died peacefully in 1840, the country's independence was a given, and its racial and social homogeneity was the most pronounced in the Americas.

Francia was succeeded by Carlos Antonio López and he by his son, Francisco Solano, known as "the Marshal." The father began the modernization of Paraguay, again under dictatorial auspices, and opened the country to the world. The son, whom many saw as a megalomaniac, attempted to expand the state's role in the affairs of the southern cone (in addition to Paraguay, Chile, Argentina, Brazil and Uruguay) and precipitated a war with the latter three. After five years of fierce battle the war ended in 1870, the Marshal was dead, and the country was decimated and occupied by Brazil. Half of the country's population had been wiped out; tens of thousands of square miles of national territory were lost; and the occupying forces imposed a heavy indemnity. But, once again, the Paraguayans had demonstrated their will to fight for independence—whatever the cost.

Under the tutelage of the occupying Brazilians a constitution was written in 1870, formally based on the liberal ideas in the French and American constitutions but with little application to devastated, occupied Paraguay. A president acceptable to Brazil was elected by the constitutional convention. Two political parties—the Colorados and the Liberals—emerged, and a new chapter of violence and coups d'état began. The Colorados were identified as the guardians of the spirit of the Marshal; the Liberals were branded as collaborationists who had worked with the Triple Alliance which had defeated Paraguay. The actual differences had little to do with ideology and a great deal to do with personality and family. Thus began a tradition where an individual was born into a political party and assumed all of the prejudices and experiences of his or her family.

In the next few decades the most important segments of the rudimentary national economy were bought out by foreign interests. The Colorados ruled, with Brazil's endorsement, until 1904. Sharing power never occurred to the caudillo-like leaders of the party. With Argentine encouragement the Lib-

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erals unceremoniously overthrew the Colorados in 1904. Under Liberal rule into the 1930s, the country gained a sheen of middle-class respectability. Asunción was urbanized, educational opportunities expanded, and political life, for Paraguay, was relatively tranquil. But it was a brittle and superficial artifice.

Paraguay girded for war again in 1932. This time the challenge came from Bolivia, the only other land-locked country on the continent, over the Chaco, the desert-like western half of Paraguay. This area, whose boundaries have shifted frequently, has been the subject of contention among the southern cone countries for decades. In the 1920s it had become of increasing economic importance with the growth of cattle ranching and forestry opportunities. The discovery of petroleum in Bolivia increased the Chaco's significance as a transshipment route to the sea. Bolivia's goal was a fluvial route to Buenos Aires via the Paraguay-Paraná river system. The war raged for three years. A truce in 1935 and a final peace treaty in 1938 favored Paraguay, whose warlike image was once again enhanced.

The Chaco War precipitated an era of social upheaval and political mobilization. A vision of a new Paraguay erupted among the workers, intellectuals, students and returning war veterans. The Liberal regime, uncertain about how to respond, did nothing and paid the price. A coup d'état in 1936 installed one of the war's heroes as president. After a brief period of chaotic social reform, Colonel Rafael Franco, the hapless leader, lost his job in August 1937. The Liberals regained political power and picked their own Chaco War hero as the party candidate in the 1939 national elections, Marshal José Félix Estigarribia. The marshal carried the election, amid continuing social ferment, and declared a personalist dictatorship in 1940 within a vaguely corporatist constitutional framework. He died in a plane crash before he could prove whether the new order would succeed or not.

Estigarribia was succeeded by his war minister, Higinio Morínigo. Paraguay sat out the Second World War under a traditional, and openly pro-Axis, dictatorship. There was widespread admiration for the efficiency and early successes of the Nazi dictatorship among Paraguay's military high command. Hitler's espionage and propaganda activities in the 1930s had received a warm welcome among the German immigrant colony in Paraguay. Sympathy for the Axis powers was widespread

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in neighboring Argentina and Brazil in the 1930s and continued into the war years throughout the southern cone.

After the war Morínigo allowed exiles to return and formed a coalition government with the Febrerista and Colorado Parties, but a civil war broke out in 1947. The Colorados supported the benighted president and carried the day, defeating the Liberals and their allies, and then overthrew Morínigo. One-party rule returned with a series of Colorado presidents. The party fragmented in the early 1950s over personalities and spoils, and one group identified an ambitious and useful army officer as its ticket to power—General Alfredo Stroessner—the armed forces' commander in chief, then 42 years old.

III

The Colorados and Alfredo Stroessner were a marriage made in heaven. After a brief period of driving dissenters into exile, establishing his personal authority over all of the major institutions in society and turning over the government and its widespread patronage to the Colorados, Stroessner settled down for his long rule. Through a judicious mix of bribes, repression and *pater familias* politics, Stroessner emerged as the undisputed leader of Paraguay. With the passing years, the general grew more popular, on the evidence of his uncontested reelection every few years as president of the republic. By the time the general was reelected for an eighth term of office in 1988, few seemed to bother counting.

From time to time the general responded to pressures for liberalization. After Stroessner's election to a third term, the constitution was amended in 1967 by a docile legislature to allow him to stand again as a candidate. The constitutional convention included two recently legalized political parties, the Radical Liberal Party, the principal descendant of the once-powerful Liberal Party, and the Revolutionary Febrerista Party, the party that had led the 1936 revolt against the Liberal elite. In return for their agreement to allow Stroessner's candidacy, the Liberals were rewarded with 20 seats in the 60-member legislature.

The general's formula for retaining power was simple. He and his cronies co-opted potential opposition or repressed it, often brutally. The Colorado Party dominated civil society and the government at every level, with the armed forces maintaining law and order. Stroessner presided over both institutions, manipulating personalities, bestowing favors and reinforcing

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his image as the irreplaceable national leader who had ended civil war and restored social harmony to conflictual Paraguay. His astute balancing of Argentina and Brazil appeared to guarantee the country's geographical identity, although the general was known to favor Brazil in regional geopolitics. Stroessner, from all that we can tell, slowly emerged as a distant but popular leader with the Paraguayan peasantry, the lower-middle class and, of course, the sycophants in the government bureaucracy and military.

After decades of immobilism the late 1970s and early 1980s were dominated by new developments. Some were political: the emergence, for the first time in Paraguay's recent history, of a relatively coherent opposition movement and a split in the ruling Colorado Party. Both events opened a slight possibility of change. Another development was rapid economic growth resulting primarily from the construction of the Itaipu hydroelectric dam, a joint venture with Brazil and the largest project of its kind in the world. Contraband trade in a wide variety of goods, including drugs, also increased. This boosted the stagnant economy, but the bubble burst in the early 1980s. All these political and economic changes created a feeling of uncertainty about the future that surfaced in the mid-1980s; this anxiety within the prevailing power structure led to the coup against Stroessner in 1989.

The development of the Paraguayan economy in the 1970s proved to be unsettling. Paraguay is an agricultural society; even in the late 1980s soya and cotton still accounted for more than 60 percent of the value of the country's official exports. The formal economy expanded rapidly in the 1970s. The average yearly growth rate was eight percent, with agriculture and construction the leading sectors. Farm production increased because the agricultural frontier expanded rapidly.

With the expansion of the agricultural frontier, the Paraguayan government began resettling local farmers, many of whom were squatters, which led to a wave of protests from longtime settlers being driven from their lands. The expansion also attracted a number of Brazilian and Japanese farmers, who had access to outside financing. A modern highway and bridge and port facilities were constructed by Brazil in the 1970s, greatly facilitating the economic integration of Paraguay with its dynamic neighbor and reducing its traditional dependence on Argentina as a trade route.

The surge in construction was due to major investments in

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infrastructure, primarily the Itaipu hydroelectric power project with Brazil. An agreement was signed in 1973 between the two governments to erect the world's largest dam on the Paraná River. This project created diplomatic conflict among Argentina, Brazil and Paraguay. Argentina saw the handwriting on the wall: Brazil's agreement with Paraguay, combined with the expanding agricultural frontier oriented to Brazil, would dramatically reduce Argentina's commercial links to Paraguay. The dam also threatened Argentina's downstream hydroelectric potential. The differences over electric power generation were settled peacefully, although clearly favoring Brazil's expanding role in Paraguay and adjacent areas of the heartland of South America.

Itaipu created an enormous amount of employment. Thousands of Paraguayans were directly employed in the dam's construction. The generation of significant excess power that Paraguay could resell to Brazil promised a windfall for the limited reserves of the Stroessner regime. The Itaipu project, and the improved land connection with Brazil, led to an influx of Brazilian capital into Paraguay in the 1970s, competing with traditional Argentine investment in land and extractive industries. Commercial banks expanded their operations in Paraguay, with the Bank of Brazil assuming a prominent position. Large amounts of foreign exchange permitted the import of a variety of consumer goods for the first time, and the middle class expanded.

In the early to mid-1980s, however, the economy slowed. The Itaipu construction was completed and the preparatory work for the construction of the Yacyreta hydroelectric project with Argentina neared completion. The agribusiness boom of the 1970s came to a halt as international commodity prices fell. The post-1982 world recession and the Latin American debt crisis reduced the overall level of investment and business activity throughout the hemisphere. The Paraguayan economy returned to heavy reliance on uncertain world demand for its agricultural goods. The net inflows from the Itaipu and Yacyreta projects, expected to peak at about $180 million in 1991, have not compensated for import needs, debt servicing and the low level of hard currency reserves. Paraguay has been plagued since the early 1980s with a large public deficit, disparity between the official and the free exchange rates, and inflation. Lackluster government policymaking has contributed to the malaise. And, by the end of the 1980s, growing political disar-

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ray in the official family effectively postponed serious economic readjustment.

The economic problems were accompanied by a growing realization that Stroessner was aging, and there was no clear successor. While the opposition was not strong, it was vocal and had gathered wide international support. The regime's human rights violations and the pressure from the U.S. embassy in Asunción to liberalize the regime were disconcerting even to some Colorado Party members. In 1987 the party split, in part because some wished to introduce modest administrative and economic reforms to shore up the future of the party after the departure of the general. It was apparent to most observers by 1988 that Stroessner cared little for day-to-day administrative chores, and thus decisions were left to party and government hacks with little sense of planning or development.

IV

A contributing, if minor, factor that added to the uncertainty about the future in Paraguay was the evolution of U.S. policy. As particularly Brazil, and Argentina to some degree, retained or increased their influence in Paraguay, the United States became more distant. It has few strategic interests at stake in Paraguay, and Stroessner was generally powerful enough to ignore American lobbying for change. Washington came to accept that Paraguay's neighbors ultimately would have a greater say in the country's future than would the United States. But it is nevertheless important to understand the limited role that the United States played in Paraguay to evaluate future efforts that might be taken to strengthen democratic forces and enhance respect for human rights and civil liberties.

U.S. interests in Paraguay have been intermittent and usually influenced by policy issues external to the country itself. The United States was involved in the negotiations to end the Chaco War in the 1930s, out of its general concern for security in the hemisphere prior to the Second World War. Although Paraguay remained neutral during World War II, the pro-Axis position of General Morínigo and most of the high command bothered Washington; still it was not a major threat to hemispheric solidarity.

With the onset of the cold war Stroessner quickly established his government as a fearless defender of America's containment policy. The United States had no more faithful supporter

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in the United Nations and the Organization of American States than the Paraguayan delegation. In return, a friendly but watchful relationship began. It netted Paraguay, in the past three decades, over $31 million in military aid, police training and matériel; since 1954 the government received more than $240 million in U.S. economic and technical assistance. In turn, Paraguay remained a bulwark in the hemisphere's stand against international communism and internal subversion and staunchly protected direct foreign investment.

American pressure helped facilitate limited opposition participation in the 1963 elections, but the priority of the Alliance for Progress faded as America turned to Asia in the late 1960s and early 1970s. Only with the inauguration of President Jimmy Carter in 1977 did the Stroessner regime find itself uncomfortably identified as a persistent violator of human rights. As a result of U.S. pressure many hundreds of political prisoners were released and the diplomatic discourse between the two capitals soured. The early Reagan years restored the status quo ante. In his second term, however, human rights became an issue once again. Successive American ambassadors, carrying out instructions from Washington, publicly supported political and social pluralism in Paraguay. The Paraguayan government responded with shocked and often obscene rejection of U.S. interference in its internal affairs. Yet many would argue that the persistent human rights criticism by the United States and international organizations was the single most effective means of pressuring the regime for change.

U.S. military and economic assistance had become minimal by the 1980s; Brazil was a far greater factor in Paraguay's future than the United States. The rest of Latin America was too concerned about other issues—debt, democracy, Nicaragua and Chile, to name but a few—to devote much time to the aging general and his sclerotic regime. In 1987 the United States withdrew trade benefits under the generalized system of preferences because of the Paraguayan government's refusal to grant minimal rights to organized labor. Last year Congress came close to decertifying Paraguay as a candidate for U.S. aid under the terms of the Anti-Drug Abuse Act of 1986, even though the Reagan Administration had supported full certification on the grounds of "vital national interests." The 1988 report certified Paraguay but termed it one of a group of "close friends and allies" that needs to "do more" to cooperate with the United States. The expectation is that Congress will

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give the Rodríguez regime the benefit of the doubt and the certification decision will stand for now.

U.S. concern with Paraguay's involvement in narcotics trade had begun in the early 1970s with the case of Auguste Joseph Ricord, a member of the "French Connection" of heroin traffickers who used Paraguay to transship the drug between Europe and the United States. After being tried and sentenced in the United States, Ricord ultimately returned to Paraguay to die of illness in 1985. In the early 1980s Paraguay became an important transshipment point for Bolivian cocaine bound for Europe and the United States. Chemicals for refining cocaine have also been captured in the possession of Paraguayan smugglers. The country is a major producer of marijuana, most of which is sold in Brazil, and is widely suspected to be a safe haven for the laundering of drug profits.

It became clear early on that officials in Paraguay, both civilian and military, were aware of and probably abetted and participated in the flourishing trafficking. Stroessner's laconic position appeared to be that his survival required payoffs for his supporters. By the 1980s the drug trade was one of the most lucrative and pervasive sources of illegal income, and party officials and military leaders were principal beneficiaries.

Contraband has been the most active informal activity in Paraguay for years. Smuggling is as old as the country itself; miles of sparsely populated frontier have made effective policing impossible. High tariffs and cumbersome trade procedures have provided a further incentive. But only in the last couple of decades has smuggling become institutionalized. Contraband trade is now so prominent that most Paraguayan and international balance-of-payment analyses give only slight attention to official export and import data.

In recent years whiskey, perfumes, electronic goods, drugs and arms have moved illegally but discreetly over the country's borders to earn an estimated $1 billion a year—equal to about a quarter of the official gross domestic product of $4 billion. General Stroessner is alleged to have assigned portions of the illegal contraband trade to key officials in the armed forces and the party in exchange for their continued support. Recent allegations openly discussed in the press, and attributed to officials in Washington, assert that General Andrés Rodríguez is deeply involved in general contraband activity, the drug trade and dubious financial transactions. The military, with responsibility for policing the borders and with access to small

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airfields in the interior and control over the country's ports, was a prime candidate for a role in the expanding formal sector of the 1970s as well as the vigorous informal sector.

While Stroessner and Rodríguez and their henchmen have vehemently denied any knowledge of or participation in contraband and smuggling activities, the information gathered by U.S. drug enforcement agencies confirms the contrary. The accumulated wealth of the major figures in the regime and the demonstrable and dramatic escalation of contraband trade with Brazil in recent years are common knowledge; all but the most naïve observers accept the evidence that illegal smuggling is Paraguay's second economy and is controlled and/or protected by the most powerful individuals in Asunción.

V

Nonetheless, Paraguay appeared tranquil in the mid-1980s. U.S. pressure for political liberalization had limited effect. The opposition grew more vocal but was no more effective in mobilizing wide opposition to the general. The close relationship of the Colorado Party and the army appeared secure. But, as is often the case, all was not as it seemed in Stroessner's Paraguayan paradise. As a result of pressure in the Alliance for Progress years, formal opposition had been introduced into the tightly controlled political system. In the years preceding Stroessner's overthrow, the political parties divided along a simple line—those that participated in elections and those that did not. Legal recognition was granted with great reluctance by the regime. In 1988 two small splinter parties with legal status participated in elections, the Liberal Radical Party and the Liberal Party. The third legally recognized party, the Febreristas, called for blank ballots in the 1988 presidential election and had boycotted previous elections.

The best-known opposition party is formally illegal but has operated publicly for a number of years. Led by Paraguay's most respected opposition figure, Dr. Domingo Laino, the Authentic Liberal Radical Party has become the conscience of modern society. Other groups—such as the Christian Democrats, the Popular Colorado Movement (MOPOCO), which split from the government party in 1959, and the new left-of-center Popular Democratic Movement—are poorly organized. It is impossible to judge the extent of popular support for any of the parties given the absence of an honest ballot at any time in Paraguay's history and the pervasive fear of the regime.

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The Roman Catholic Church has grown in stature in recent years, although it lacks the credibility of the crusading Brazilian church or the courageous Chilean church. The church in Paraguay, reflecting the culture, is more removed from the center of political and social power. It is a poor church to boot, and probably strongest in the more traditional—and politically marginal—countryside. In recent years the church has been active in organizing "Christian Land Leagues" to resist tenant evictions, and the church's radio station, Radio Caritas, has been a significant voice for the opposition. During the visit to Paraguay of Pope John Paul II in May 1988, the church attempted to use the pontiff's presence to strengthen its call for human rights and social justice—a message that went unheeded in the presidential palace.

The regime played a cat-and-mouse game with the media for years. In addition to the popular Radio Nanduti, closed in 1987, the daily newspaper *ABC Color* was closed in March 1984. Both had represented sources of persistent criticism of the regime. The Febrerista newspaper, *El Pueblo*, performed a similar function but it, too, was shut in mid-1987. By early 1988 it was difficult to find a media outlet for opposition other than the church's Radio Caritas and its weekly bulletin, *Sendero*. The international press and media assumed a growing role in raising the consciousness of the world about Paraguay's plight. While the regime freely repressed domestic newspapers and radio stations, it was unsuccessful in banishing foreign journalists who conveyed graphic images of what it is like to live under a dictatorship.

Organized labor, long under the thumb of the regime, demonstrated a newfound militancy in the 1980s. Part of the pressure came from the rural sectors, supported by the church. Another source was the large growth in employment, beginning in the mid-1970s with the Itaipu project. White-collar workers in Asunción have begun to organize in recent years, but the labor movement remains relatively weak even today. University students are among the most outspoken critics of the regime, but constant police harassment has prevented their emergence as an effective pole for opposition to coalesce around. The business community has become more critical in recent years, but it has few levers of pressure, as the Colorado Party has effectively neutralized any efforts to change government policy.

Paraguay is still more rural than urban compared with most

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of its neighbors, a fact which helps to explain the longevity of Stroessner's reign. The peasantry are apolitical, easily controlled and primarily concerned with protecting what little they have. It remains to be seen if church-sponsored organizational efforts will in time make a difference. Urban groups are small, poorly funded and organized, and highly susceptible to the suasions of the regime, which included incarceration, torture and exile. Indeed, perhaps as much as half of the population lives outside of Paraguay for economic or political reasons. The regime's practice in its early years of dropping its opponents alive from airplanes over the Chaco has apparently ended. But accusations of genocide against the country's dwindling Indian population, well founded in the 1970s, and the blatant abuse of basic civil liberties and human rights have continued unabated.

The most visible sign of organized opposition to the Stroessner regime was the formation of the National Accord in 1979. The Stroessner regime responded, albeit reluctantly, to pressure from U.S. Ambassador Robert White and the Carter Administration and permitted the formation of this authentic opposition movement. It is a loose coalition of the Febrerista, Authentic Radical Liberal, Christian Democratic parties and, until recently, MOPOCO. The accord put together a National Coordinating Committee for Free Elections in 1987, to mobilize popular support against Stroessner's candidacy in the 1988 presidential elections. This effort, although well intentioned, had little impact and Stroessner easily won. The major parties in the opposition were either barred from presenting candidates or decided to abstain from voting given their certain loss.

VI

The first visible signs of a crack in the monolithic structure constructed by General Stroessner, his family and cronies occurred in August 1987 at the Colorado nominating convention called to endorse Stroessner for his eighth term in office. A public brawl broke out between the "militants" in the party, who were loyal to the general, and the "traditionalists," who wanted a clear separation of the party from the general. The traditionalists, noting that the party had preceded Stroessner, wanted steps to be taken to guarantee its future monopoly on power after his demise.

Thanks to quiet support from Stroessner, the militants got the upper hand. The traditionalists were not allowed to enter

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the convention. The octogenarian president of the party, Juan Ramón Chávez, was dismissed and Interior Minister Sabino Montanaro emerged as party president and strongman of the regime. With Stroessner reelected and the militants' influence on the rise, the traditionalists began to examine their options. One that emerged in the course of 1988 was General Andrés Rodríguez, previously presumed to be completely loyal to Stroessner. Stroessner's son was married to Rodríguez' daughter. Rodríguez had been a captain in the 1954 insurrection that led to Stroessner's coming to power, and he had been openly favored and enriched by his close ties to the dictator.

Rumors circulated in 1988 that a palace "gang of four," said to include Interior Minister Montanaro and the president's personal secretary, were plotting to consolidate their personal position by using an ailing and visibly aging Stroessner as a shield. In rumor-driven Paraguay, the general's hospitalization in late 1988 set off a momentary panic that the 76-year-old general would die. The militants had heretofore supported the continuation of Stroessner's rule; now it appeared that they were planning to assume the reins of power should Stroessner die.

It emerged that the Stroessner clique suspected Rodríguez of plotting against the militants and the clique. Allegedly he was in contact with traditionalists such as Luis Maria Argaña, until recently president of the Supreme Court. Also, the marriage of Stroessner's son and Rodríguez' daughter had gone awry, weakening an important personal link between the two fathers. The key reason why Rodríguez was thought to have turned away from Stroessner was a rumor that the palace clique favored anointing another son of Stroessner, an air force colonel, as his successor. The army was not willing to accept an officer from another service, and Stroessner's son had an unsavory personal life that disqualified him in the eyes of the military. Many believed that Rodríguez wanted to serve as president himself before his active years were over. After all, he had served as a loyal subordinate for decades.

In January 1989 the palace clique undertook a major restructuring of the army, removing key commanders and undermining Rodríguez' support, leaving only Rodríguez himself in a significant position of troop command. Soon after he was reportedly told to accept appointment as defense minister or another administrative position or face retirement. Rodríguez and his traditionalist colleagues in the Colorado Party realized

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they faced the real danger of being eliminated from the power balance. For the first time since the mid-1950s, the succession issue and the role of both party and army were topics of urgent consultation within the ruling family. Even though the Colorado Party was deeply fragmented, the succession debate remained within the party, divided as it was between the two warring camps. Throughout the plotting, there is no evidence that Stroessner was part of, or fully informed about, the deliberations under way. His recent illness and his apparent abdication of everyday decisions to the small group in the palace had removed him from effective control over the regime.

Rodríguez faced a dilemma: to accept his effective ouster or to move against the militants and the Stroessner clique. To lose command of the troops in his First Army Corps would effectively neutralize him as a military and a political arbiter. Removal from effective power would also result in a loss of control over the informal economy, a real sacrifice in personal terms and as a means of exercising authority.

But the alternative was extremely risky. To move against Stroessner raised the possibility of a split in the army (the most powerful branch of the military) and a possible uprising of the Colorado militants. In the worst scenario it could mean a repetition of the bloody civil war of the 1940s. Rodríguez had undoubtedly known this moment of decision would come sooner or later. Throwing caution to the wind, Rodríguez and his allies moved quickly on the night of February 2. Tanks from Rodríguez' First Army Corps base attacked the headquarters of the Presidential Escort Batallion in downtown Asunción, where a fierce battle was waged. The headquarters, where Stroessner took refuge once the coup began, was heavily shelled and his personal guard held out for hours against the superior forces of Rodríguez. While the official death toll was reported as 17, diplomatic observers estimate that closer to 200 people, mostly soldiers, died in the struggle. In the early morning hours of February 3, Stroessner surrendered and was arrested by the First Corps. Later that day Rodríguez was sworn in as Stroessner's replacement. The "gang of four" and other Colorado militants were arrested and replaced by leading figures of the traditionalist faction; Rodríguez subsequently purged the officer corps of potential adversaries.

Amid promises of democracy, a free press and a new respect for human rights, national elections were announced for May 1. Stroessner left quietly for exile in Brazil, a fitting end to his

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career, given the economic and commercial rewards he had bestowed on Brazil during his last 20 years in office. Thanks to the aging general, Brazil had clearly outdistanced Argentina as the major force in southern cone politics and had been able peacefully to expand its economic and geopolitical influence well beyond its borders.

VII

What now? In all likelihood, General Rodríguez will be elected as the Colorado Party's candidate for president in the May 1 elections. He will finish Stroessner's term, which ends in August 1993. Foreign Minister Argaña has announced that a constitutional amendment will probably be passed limiting the president to one term, with the right to reelection after one term out of office. Argaña has stated that he will support Rodríguez in 1989, so it will not be surprising if the general returns the favor and backs Argaña as the party's standard-bearer in 1993. The Colorados are also expected to retain a majority in the legislature.

Will the opposition participate in the elections? On February 13 the National Accord called for postponement of elections, threatening not to participate if they were held on May 1. It is a difficult decision. Not to participate will heighten tension in the country and increase international criticism, but it will probably not serve to undermine the regime in the short run. Failing to participate will leave the field entirely to the Colorados and will prevent the opposition from gaining some idea of its relative popularity. There are also obvious risks to entering the elections. Given the commanding position of the Colorados and the regime, opposition participation might serve only to legitimate the continued rule of the traditional military and civilian elites.

Domingo Laino, 53, is the leading candidate of the opposition and currently president of the National Accord. He protested against Stroessner since his years as a university student in the mid-1950s, and was arrested and tortured numerous times. The regime exiled him for nearly five years; he returned from Argentina in 1987. Even though he is the best known of Paraguay's opposition politicians, he is not necessarily acceptable to the other small parties in the accord as their principal leader. It is not only a lack of funds and, until the coup, severe limitations on civilian organizing that limit the immediate role of Laino and his colleagues. The opposition remains frag-

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mented, with each small party harboring its own ambitions about the future and its role in a new Paraguay. Also, the opposition was weakened in February 1989 by the return of MOPOCO to the Colorado Party, ending a 30-year schism. While not unexpected, it indicates the fragility of the antidictatorial forces in Paraguay.

Will the accord provide the basis for the formation of an independent political party system in Paraguay? It is doubtful in the short run, given the personal and programmatic rivalries among the organizations. The parties need to be better funded and organized. After 35 years of Stroessner, it is not clear how deeply any of the parties have penetrated Paraguayan society. It remains to be seen, again, how much democracy the new regime will permit and how adept the parties are at mobilizing both new and old adherents.

The United States has a part to play. The role of recent American ambassadors dating back to Ambassador White has been highly salutary and should be continued; the United States should identify itself with the democratic process in Latin America and respect for human rights and the electoral process. Various U.S. political action organizations are supporting projects to train political party members as poll watchers. Civic education is needed to get out the vote, as Paraguayan citizens are not used to having their ballots count. Polling and survey research can play a crucial role in revealing public opinion and trends in voter preferences. International observation teams are needed to monitor the actual voting on election day. The United States has indicated an interest in supporting all of these efforts, and the Bush Administration should coordinate with similar initiatives from Western Europe and, one hopes, Latin America. At the margin the United States could hold out the possibility of restoring trade privileges under the generalized system of preferences if the rights of organized labor are recognized; it could also explore other limited economic and technical assistance in exchange for a more cooperative policy regarding drug smuggling.

Most important, the United States needs to work with other democratic states in the southern cone, to encourage their efforts to attract the new Paraguayan government to the norm of democratic politics. An important question is whether Brazil is interested only in stability or is willing to use its influence to work for stability in a democratic framework. If the government in Brasília takes a strong stand for democracy in Para-

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guay, it will make a difference. If not, more of the same can be expected.

The Brazilian military will have a determining voice in framing national policy toward Paraguay in the immediate future. Its attitude will be influenced primarily by national security concerns. A matter of growing concern to the Brazilian armed forces is the shipment of drugs from Paraguay into Brazil, where national consumption is increasing. Traffickers' use of airfields in the interior threaten the army's control over national territory. Large amounts of drug money can easily corrupt the officer corps, and the laundering of drug income will have a destabilizing impact on the economy. As with all military establishments, the Brazilian one prefers predictability to uncertainty. General Rodríguez will no doubt try to convince his powerful neighbors that whatever political strategy he pursues will neither disturb the current balance of power in the heartland of South America nor create new internal security challenges in Paraguay or Brazil.

The network of international human rights organizations, which have called attention to the violation of basic liberties in Paraguay, need to continue their vigilance. They should monitor the promises of the Rodríguez regime to release all prisoners and restore the rule of law to Paraguay. The international press has a role to play in continuing to report both government and opposition activities. The Western European governments need to use whatever persuasive power they have with Rodríguez and the armed forces. Together with nongovernmental organizations, all can play an instrumental role in helping to maintain the political space that appeared after the coup and contribute to the careful expansion of the rules of the democratic game.

None of this will be easy. The political culture of Paraguay, the tradition of strong, authoritarian government and the absence of any democratic tradition are realities. The social and economic changes of the last 15 years need to be reflected in changes in the political system, against any effort to reconstitute the triad of the Colorado Party, armed forces and military strongman. There may not yet be a new Paraguay, but the old Stroessner model is inapplicable today and unlikely to be replicated for any significant period of time.

Change is under way in Paraguay and needs to be nurtured. But no one should expect great leaps forward lest they be used internally to justify a return to vigilance and a nationalist

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reaction against intervention by outside forces. The changes to date—the formation of the National Accord, the restoration of a free press, the cautious pressure of the Roman Catholic Church and human rights groups—have not yet created a climate for a popular rejection of the regime. Still, the combined forces of the internal opposition, a questioning of the need for a continuation of dictatorial repression when Paraguay's neighbors are free, and the increase in international criticism have helped to generate a mood of limited expectation that things might change, ever so slightly for the better, with the general's fall from grace.

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Maureen Aung-Thwin

BURMESE DAYS

Burma's brief bid for democracy appears to have subsided as abruptly as it began. While it lasted, for a few hot weeks in August and September 1988, the world caught a glimpse of the deep cleavages rending this remarkably long-suffering Buddhist society, driven to revolt against a military dictatorship controlled by General Ne Win, who originally took power in 1962 in the name of national unity.

The country had never seen anything like the summer of 1988: hundreds of thousands of ocher-robed monks, young children, university students, housewives, doctors—even some police and civil servants—took to the streets of Burma's major cities in an unprecedented public display of disgust. Alarmed, Burma's defense force, the Tatmadaw, threw out a few carrots of promised reforms. But the concessions were too little, too late, serving only to harden the marchers' determination.

Sporadic looting and violence, provoked in many instances by the military, tinged the primarily peaceful demonstrations. Eventually, the Tatmadaw found enough justification to crack down and forcibly quell the uprising. Diplomats in Rangoon estimate that at least 1,000 civilians died in mid-September, when the army resumed control of city streets by gunning down unarmed protestors—thus once again, in its own view, saving the union.

General Saw Maung, one of Ne Win's closest disciples, restored Tatmadaw rule on September 18 by staging a nominal coup d'état, not against an opposition government but to reassert the army's rule after a failed attempt to refurbish its civilian facade. For the sullen populace forced to acquiesce in the face of guns, it meant martial law with a nightly curfew, closure of all schools and universities, and prohibition of assembly by more than five persons.

This crackdown prompted around 7,000 student dissidents,

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along with some monks and laborers, to flee and take refuge with antigovernment insurgent groups in bases mainly located along the country's malarious jungle border with Thailand. About half of the dissidents have since returned home, some voluntarily, others pressured by intense lobbying and possible coercion by the Burmese and Thai governments. Reports of torture and killings of some of the returnees are difficult to confirm, but political repression is hardly new to Burma. For over 26 years this hapless land has endured a government exercising tight control over everything from the press to the ability of Burmese citizens to travel abroad.

Last summer's initially euphoric—and ultimately violent—uprising against Burma's authoritarian regime was long overdue. Yet it is still too early to predict what fruit the short-lived "democracy movement" will bear.

For as long as he lives, Ne Win, 78, a superstitious and short-tempered ruler who relies both on astrologers and the intense loyalty of subordinates, is likely to control Burmese political developments, no matter who is titularly at the helm of government. In the chaos of last year's uprising, Burma ran through three successive leaders in as many months, but it was Ne Win who dominated events. The general's call for economic and political reform and his unexpected resignation as chairman of Burma's sole party helped fuel the protests. And his threat that the army would "shoot to kill" those disobeying its commands was carried out to bring a newly vociferous populace almost instantly to heel. It is difficult to say how many changes in the system—or bullets—will be necessary to keep people from returning to the streets. That the Tatmadaw will remain in power for the foreseeable future, however, is much easier to predict, for radical students and other opposition groups are no match for the soldiers' monopoly on information and arms.

II

Since the end of British colonial rule in Burma 41 years ago, the country has been lost in a time warp, wrestling with its domestic demons while much of the rest of Asia found its stride in a rapidly modernizing and interdependent world. With Japan leading the way, some of Burma's neighbors have become what has been called "the most successful collection of devel-

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oping countries ever known."[1] Despite all the anguish expended over Vietnam, Asia's dominoes now seem to be tumbling America's way. China, the communist giant, has rediscovered supply and demand. Formerly authoritarian regimes in the Philippines, South Korea and Pakistan have been replaced by democratically elected governments. Burma is one of the rare exceptions: as even one Asia-watching Soviet official has remarked, "It is impossible in the world today to have progress without democracy, so why deny it to Burma?"

An understanding of why such widely accepted notions of development have eluded Burma so far, and may endure for the near future, requires examination of the complex set of unresolved attitudes toward historical events and cultural circumstances that remain embedded in the nation's collective psyche. Over two decades ago a prescient student of Burmese society suggested that if Burma, with its embarrassment of natural riches, relatively sparse population and plentiful land could not develop a viable modern economic, political and social structure, it would be due to "a failure of human effort, a matter of social and cultural variables, a case of organizational and ideological inadequacy."[2]

Burma, nearly as large as Texas, possesses a geographic location, natural resources and an enviably low ratio of population to arable land unmatched in Southeast Asia. The diamond-shaped nation stretches for a thousand miles from the Himalayan peaks along the border with eastern Tibet in the north to the lush tropical swamps of Tenasserim state in the south. Burma's 1,400-mile coastline boasts 86,000 square miles of continental shelf, where fisheries could annually yield an estimated 600,000 tons. Kipling's famous "Road to Mandalay," the Irrawaddy River, is only the longest of many navigable rivers that crisscross the country for some 5,000 miles. Burma's population is almost as diverse as its geography, with roughly two-thirds belonging to the dominant Burmese-speaking Burman ethnic group and the remaining one-third comprising a dozen or so minority groups which among them speak nearly a hundred languages.

The culture of the Burmans, who entered central Burma

[1] *The Economist*, Dec. 24, 1988, p. 31. In the 1950s Burma, Thailand and S. Korea had similarly low GNPs; by the late 1980s, Burma's GNP per capita was $200, Thailand's $800, and South Korea's $3,000.

[2] Manning Nash, *The Golden Road to Modernity: Village Life in Contemporary Burma*, New York: John Wiley & Sons, 1965, p. 1.

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before the ninth century, contains elements of the ancient Pyu civilization they absorbed and the sophisticated Buddhist culture of the Mon kingdom they conquered. Burman kings ruled for approximately one thousand years, a period marked by cycles of power-dispersal and consolidation under various *min laung*, or charismatic savior-kings, who built royal temples and forged symbolic links with heroes of past dynasties to legitimize their rule. The Burman monarch did not even attempt to provide the country's highly autonomous minority groups with direct leadership. These groups—which ranged from the Shans in the eastern hills, with their Buddhist culture and system of tribal chieftains, to the animistic Karens, to the head-hunting Naga tribesmen along India's border—lived for the most part outside a horseshoe-shaped range of mountains that encircles the plains of central Burma, where the Burmans settled. This natural buffer enabled the ethnic groups to continue their traditional ways while acknowledging Burman suzerainty.

Britain's abolition of the Burmese monarchy in 1885 exacerbated latent tensions between the Burmans and the minority groups, which increased with the advent of Burman-led nationalism. The Christian colonials also displaced the Buddhist hierarchy, encouraging Burman nationalists to equate Buddhism—and, later, socialist ideas—with nationalism, and Christianity with colonialism and capitalism. Since the 1930s Buddhism, socialism and nationalism have been intertwined, with Marxist concepts easily translated into Buddhist terms.

In 1947, following the bitter colonial experience and the devastation of World War II, Aung San, the charismatic young Burman independence leader who is considered the father of modern Burma, convinced all but one of the major ethnic groups to sign the historic Panglong Agreement, by which they promised to join a union with the majority Burmans.

The new nation, however, was instantly convulsed by a baptism of fire that logically should have destroyed it. A series of traumas that befell Burma between 1947 and into 1949 continue to haunt the nation: the assassination in 1947 of Aung San, who was expected to be Burma's first head of state; the launching of Southeast Asia's longest running Marxist insurgency by the Burmese communists, who had been the political mentors of Burma's pre-independence nationalist movement; and the beginning of armed rebellions by factions of Karen and Mon ethnic groups, who lacked faith in the autonomy guaranteed in Burma's first constitution of 1947.

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Although Burma remained a parliamentary democracy for a decade, and though the first constitution was written to allow some groups to consider secession after a period of ten years, communist and ethnic insurgencies continually threatened national unity. Factionalism within the governing Anti-Fascist People's Freedom League forced Prime Minister U Nu to resign in 1958 in favor of a caretaker regime headed by Ne Win, Aung San's former military subordinate and commander in chief of the armed forces. Although U Nu was reelected to the prime minister's office in 1960, political division soon recurred. Ne Win, assuming the symbolic role of one of Burma's savior-kings, finally ended civilian government with a virtually bloodless coup on March 2, 1962, under the pretext that an impending federal conference on secession might break up the union.

From its origins as an anti-British nationalist army, described by one scholar as a "political movement in military garb,"[3] the Tatmadaw had come to regard itself as both the embodiment and protector of national unity. Ne Win, through his long domination of the Tatmadaw, gradually became synonymous with it, garnering more fearful respect and charismatic power, known in Burma as *awza*, than any of his rivals.

After four decades of nationhood the cold fact is that the central government is still engaged to varying degrees in protracted civil wars with elements of some dozen assorted ethnic groups, which only in the past few years have seriously begun to consolidate their efforts. Informed sources say that Burma in recent years has been spending at least 50 percent of its limited budget, twice the official figure, for defense, mostly for "internal security"—which means fighting the Burmese communists and the various ethnic insurgencies. (Burma has not had an external threat since an anticipated invasion in the early 1950s by the newly established People's Republic of China.)

Today the Burmese Communist Party (BCP), numbering an estimated 10,000 adherents at most,[4] is a shadow of its former self, a fractious and fairly unthreatening group of aging ideologues plagued by recruiting and budgetary headaches that have driven them to dealing in drugs with such implausible

[3] Dorothy Guyot, "The Burma Independence Army: A Political Movement in Military Garb," in Josef Silverstein (ed.), *Southeast Asia in World War II*, New Haven: Yale University Southeast Asia Program Monograph Series, 1967, p. 51.

[4] Charles Smith, *1989 Yearbook on International Communist Affairs*, Stanford (Calif.): Hoover Institution on War, Revolution and Peace, Stanford University, forthcoming.

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allies as the remnants of the Chinese nationalist Kuomintang (KMT) troops still roaming the Burmese hillsides.

Recently the BCP has participated in another unlikely alliance, this with the National Democratic Front. The NDF, formed in 1986, is composed of ten major anticommunist ethnic groups (including Karens, Kachins, Shans and Mons) in opposition to the Burmese central government. The most potent of these groups, the 8,000-member Kachin Independence Organization (KIO) and Army (KIA), is led by Brang Seng, an articulate and politically savvy former principal of a Christian school in the northern town of Myikyina. Waging separate wars against the central government had kept these ethnic groups isolated from one another, and more significantly from the Burman majority that has been led by the Ne Win regime to regard the rebellious groups as terrorist insurgents instead of ethnic nationalists desiring a genuine federal union.

III

The events of last summer in the cities of Burma reveal the failure of the Ne Win-led Tatmadaw to meet basic human needs by means of a socialism that would not compromise the country's traditional values. "The Burmese Way to Socialism," which could be considered an ideological symbol of unity, succeeded only in transforming a country that once was the world's top exporter of rice (and still contains 80 percent of global teak reserves, among other riches) into a "least developed country," alongside Bangladesh and Chad.

"The Burmese Way to Socialism" is the title of an unassuming seven-page pamphlet that outlines a quasi-Marxist, semi-Buddhistic means of liberating man from social evils caused by "pernicious economic systems in which man exploits man." But the document is less a dogma than an attempt to rationalize Tatmadaw rule within a Burmese context.

The impact on the average Burmese citizen of the army's monopoly of political power and its centralized economic planning depends on where he lives. Although the limited rural participation in last year's uprising does not necessarily reflect the lack of a countrywide consensus for reform, the "democracy movement" was primarily an urban phenomenon, for the the city dweller has borne the full brunt of Ne Win's mismanagement.

In a sense, Burmese society probably has coped better than many peoples whose governments practice a purer Marxist

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socialism. Burma sometimes only seems to be at odds with itself because the nation is impossible to describe accurately in quantitative terms. Even its estimated population of 38 million is a guess based on the last complete countrywide census in 1931 and the more recent head counts of 1973 and 1983, which of course excluded members of minority groups still in rebellion against the central government.

According to the World Bank, Burma's official income per capita today is supposedly around $200; the growth rate of the country's gross domestic product averaged a commendable 6.4 percent in 1977–82, then dropped to one percent in 1986–87 and turned negative in 1988. But statistics, especially Burmese government figures, only reflect the ever-shrinking portion of the economy that is measurable. They are misleading indicators of a country that cannot be captured on paper, as Burton Levin, U.S. ambassador to Burma, discovered soon after his arrival in Rangoon in 1987:

> There is a huge black market out there which is not reflected in statistics, and as bad as things were, the level of the standard of living that I encountered was higher than that when I first went to Taiwan in 1954, higher than I encountered when I went to Indonesia from 1960 to 1963, and certainly higher than one frequently still encounters in China and Pakistan. In other words, the endemic malnutrition, the matchstick limbs, the swollen bellies, the people in rags—they just weren't there.

Burma's unofficial trade may cover as much as 80 percent of the economy. The shadow economy (which Burmese jokingly refer to as "State Corporation Number One," or as the most successful of the official "SEEs," or State Economic Enterprises) acts as a safety valve for what would otherwise be an intolerable situation. This huge free market within socialist Burma, which provides consumers with everything from Chinese tricycles to UNICEF-donated pharmaceuticals from Bangladesh, helped check the people's desperation.

Rice, the staple food in Burma, as elsewhere in Asia, has a significance within the society extending beyond mere economics: a typical greeting used by Burmese of all income levels and ages is a simple, "Have you eaten your rice yet?" Farmers and residents of the countryside who grow their own food, 85 percent of the population, have been more protected than those who depend on an urban cash economy from the ravages of Burmese socialism. After all, the government in Rangoon

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could not force farmers to do much except sell it annual quotas of rice at less than market prices.

Nevertheless, farmers also had longstanding complaints against the Ne Win regime. Even the U Nu government, with a large number of foreign advisers, had allocated a disproportionately small amount of the national budget to agriculture, although its post-World War II recovery lagged dangerously behind other less crucial sectors of the economy. In the early 1950s Burma controlled 28 percent of the world rice trade; by 1970, a measly two percent.[5] Under Ne Win, the industrial sector continued to receive most development attention; a temporary shift in development priorities during the early 1970s from heavy industry to agriculture was only partially successful.

The most profitable commodity exported from Burma, of course, is opium. The central government can never hope to regulate the illegal drug trade because opium poppies are grown in remote territory controlled by the Burmese Communist Party, and to a lesser extent by Shan and Wa ethnic rebels. A bumper opium crop of around 1,300 tons was projected for 1989, even before the United States suspended payment of $12 million in bilateral aid to Burma, most of it for eradicating opium crops by aerial spraying of chemicals.

IV

Given the longstanding instability of Burma's domestic situation, why did the uprising of 1988 not occur sooner? Any answer must be tentative, given the highly speculative nature of Burma-watching, made no simpler by Burma's isolation, the secretive nature of Ne Win and the Tatmadaw, and the resulting uncheckable rumors that must serve as a leading source of information about the country.

Last summer's crisis began with a sudden rise in expectations. After years during which agricultural development was neglected as a government objective, Ne Win announced on September 1, 1987, a sweeping decontrol of the production and trading of rice and basic foodstuffs. In a nation where at least 80 percent of the economy is agricultural, the decontrol was extremely welcome news, not only for farmers—who in any case usually found ways to circumvent official quotas and

[5] David I. Steinberg, *Burma's Road to Development: Growth and Ideology under Military Rule*, Boulder (Colo): Westview Press, 1981, p. 110.

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prices—but also for the remainder of the populace, urban consumers mostly, with little leverage in the straitjacketed economy.

Announcements by Ne Win, considered by many Burmese to possess a powerful aura, carry inordinate weight. The enigmatic Ne Win, whose name means "bright sun," has eschewed a personality cult and arduously shuns publicity. But Ne Win, known as "Number One" to most Burmese, enjoys a mystique that one American diplomat in Rangoon describes as reminiscent of an ancient Chinese emperor—he has even, in the tradition of Burmese kings, built a pagoda to commemorate his reign. No one dares second-guess the mercurial general, resulting in a bureaucracy brimming with impotent sycophants. Ne Win's virtual invisibility has also served to deflect direct blame for the country's ills, sometimes causing even his harshest critics to ponder wistfully, "if only Number One knew . . ."

Whatever Number One knew, he failed to anticipate the uproar over his second surprise pronouncement: days after raising everyone's expectations for agricultural reform, Ne Win declared valueless 80 percent of the kyats (the Burmese currency) in circulation. Any note over $1.60 in value became instantly worthless. This was his regime's third demonetization and the first without the promise of some compensation. Undertaken ostensibly to combat inflationary pressures, demonetization was also justified as a measure to undermine black marketeers (including, practically speaking, the entire population). The rash action caught students right in the middle of their final exams at Rangoon University and propelled them protesting into the streets. In a flash the students' meager savings had disappeared; their money for everything from lunch to passage home was gone.

Education is highly regarded in Burma, even though there are virtually no jobs for university graduates once they leave school. Ironically, Burma's high literacy rate—85 percent in the cities—nearly cost it the least-developed-country status the government sought, with great secrecy and humiliation, to help in servicing the nation's debt.

Under the Ne Win regime, student activism had been sporadic. The last big rebellion against authority was in 1974, when it appeared that former United Nations Secretary-General U Thant would be given a funeral the young people considered inappropriate to his world status. The students knew U Thant only by his global reputation, for he had not

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been a part of Burmese domestic politics and had lived abroad for decades. But U Thant symbolized a freer era and, as a former teacher, was a natural rallying point for the frustrated youngsters.

The long-smoldering campus tinderbox, close to explosion after years of political repression and aggravated by the economic policy shock in September 1987, was fully ignited the following March by a seemingly innocuous "town-gown" clash. In a tea shop near the Rangoon Institute of Technology, students and locals quarreled and finally came to blows over the choice of music tapes being played. The police were summoned to break up the brawl, and their actions resulted in the death of a student. Thousands of his schoolmates later returned to the scene and fought the hated *lon-htein*, or security police, who retaliated with weapons and tear gas. The impact of the incident spread city-wide when it became known that 41 young men and women suffocated to death after being arrested and crammed for hours in an overpacked police van, and reports circulated that some young women rioters had been raped.

In a rare display of public accountability—perhaps because the local police, not the army, had overreacted—the Tatmadaw announced an investigation into the incident. The sensitive atmosphere was further charged by reports that children of senior military officers had been among the protesters.

Enter ex-Brigadier General Aung Gyi, 70, formerly Ne Win's comrade and heir apparent, who had been running an empire of popular coffee shops since his ouster from power in 1963 by the army's more radical left-wingers. Most probably with Ne Win's knowledge, Aung Gyi wrote and distributed "open" letters to his former colleagues—the first public criticism of government policies in a quarter-century by a leading figure other than Ne Win. The letters, one almost 50 pages, were extraordinary for their candor and derision of a system that had turned Burma, "once so outstanding and rich," into a "beggar." Never directly critical of Ne Win, Aung Gyi wrote that "we cannot cover up our failures and weaknesses, our inability to achieve quality standards, and our lack of skills, and ignorance of world trade practices. Progress cannot be made through arrogance and falsification of accounts." Change must come, he pleaded: "There is no precedence in the world where continued authority is given to those who fail in their jobs."[6]

[6] Aung Gyi, letter to his former military comrades, May 9, 1988.

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Surprisingly, Aung Gyi was not thrown into jail until much later, and then only briefly.

On July 23, Ne Win, seeking to deflect popular wrath from the army, took personal responsibility for the student deaths the previous March, though he had been in Europe at the time. At an Extraordinary Party Congress of the Burma Socialist Program Party (BSPP), the political arm of the Tatmadaw, Ne Win submitted his resignation as party chairman, along with those of four close associates. He further astonished everyone by advocating a popular referendum for a multiparty system, implicitly admitting the failure of the Burmese socialist experiment while time remained to try a new course that might assure him a positive place in Burmese history.

Whether the BSPP's decision to reject the referendum while accepting the resignations meant that Ne Win temporarily had lost control of the party, or whether the BSPP reacted as Ne Win expected (and thus reconfirmed his authority), is open to interpretation. Either by twist of fate or sleight of hand—only Ne Win's closest associates know which—the man who took over the regime was Sein Lwin, head of the hated security police who had mismanaged the March incident. Sein Lwin, "the Butcher," as he is often called, had also been involved in breaking up earlier student riots—in 1962, when the Rangoon University student union building was dynamited, and again in 1974.

Sheer outrage at the ascension of Sein Lwin, once Ne Win's military "batman,"[7] galvanized the previously improvised crowds of protestors into a formidable potential challenge to military rule—nearly half a million thronged one demonstration in August. Soldiers patrolling the cities had until this time refrained from violence, occasionally even fraternizing with protestors. During Sein Lwin's short reign, however, the army stunned the nation by firing into the crowds. Then, inexplicably, on August 10 soldiers shot at a group of nurses and doctors outside Rangoon General Hospital, killing five of them and triggering an immense backlash of anger. On August 12, after only 17 days in power, Sein Lwin was hurriedly replaced by Ne Win's biographer, Dr. Maung Maung, a civilian and West-

[7] The "batman," a combination of orderly and protégé, is an institution drawn from the British army. In the Burmese military being a batman is a traditional means for rising through the ranks on the coattails of an ambitious officer.

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ern-educated lawyer who appeared to have substantial sympathy with the protestors' demands. But it was too late.

In an atmosphere of growing anarchy, sparked by isolated incidents of atrocities committed by both sides, the protestors were joined by some police, air force and navy personnel; although from the least important branches of the Tatmadaw, those defections served to awaken the proud armed forces to their desperate position. Finally, the soldiers were tremendously humiliated when the protestors almost succeeded in storming the Ministry of National Defense and the Ministry of Trade in what would surely have been a bloodbath for the small number of troops guarding the premises.

That set off the September 18 coup that allowed the Tatmadaw to once again "rescue" the nation from disintegration. Chief of Staff General Saw Maung, seeing the Tatmadaw lose control of the situation, ended the protests by turning sheer firepower against the unarmed population. He later told *Asiaweek*: "If we had waited for two more days, we would be in big trouble. [The opposition] had worked out who would take which portfolio or responsibility . . . I believe that I saved the country from an abyss."[8]

Despite Saw Maung's fears, the political opposition in Burma was not a threat to the Tatmadaw during last summer's upheaval. After the triumph of "people power" in the Philippines and the ballot in South Korea, the world watched with disappointment the sudden and violent quelling of Burma's spontaneous and short-lived "democracy movement." The Burmese students lacked organization and were unable to produce a leader who could harness the powerful momentum of the demonstrations. The most prominent symbol of defiance was the portrait of independence leader Aung San, martyred before most of the marchers were born. The leading dissidents who spoke at rallies between July and September, calling for an interim government to replace the military, included 82-year-old U Nu, two former military colleagues of Ne Win and the Britain-based daughter of Aung San—none of them, at the time at least, capable of facing down the Tatmadaw.

V

No one believes for a moment that Saw Maung is not acting in concert with Ne Win, who now more than ever must draw

[8] *Asiaweek*, Jan. 27, 1989, p. 25.

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on his considerable Machiavellian talents to save his country—and his beloved Tatmadaw.

Traditional Burmese concepts of authority, which are directed toward individuals rather than institutions, plus strongly held belief in the Buddhist notion of karma, help explain the stoic acceptance by the people of their lot. The lack of a genuine charismatic military alternative to Ne Win may also explain the "wait-and-see" attitude of the potential source of a future, more significant, coup: the second generation of military men, especially those at the divisional commander level. Better educated than the aging current leaders, the younger members of the Tatmadaw are not paralyzed by perceived obligations to the memory of the independence struggle or to Ne Win's patronage. How much power these younger military officers are willing to relinquish, and whether they would entertain the idea of a genuine multiparty system, is questionable; possibly they are split among themselves, never before having exercised direct authority over their country or shared power.

Whispers of dynastic ambitions already surround second-generation Brigadier General Khin Nyunt, first secretary of the State Law and Order Restoration Council and head of the ubiquitous Military Intelligence Services. Khin Nyunt, 51, was a colonel only last August and is closely connected to Sanda Win, Ne Win's daughter and confidante.

Regardless of Ne Win's fate, the Burmese military will continue to have a say in the country's political development for the foreseeable future. No one doubts that the 190,000-member Tatmadaw, the only credibly unified force in the country, must be the basis for a viable solution to the present political and economic impasse.

The Tatmadaw, ironically, has given the biggest boost in three decades to Burma's democratic process, simply by promising an election (currently scheduled for the spring of 1990) and allowing political parties to register over the past half-year. While it is not certain an election will actually occur, especially a free and fair one, no fewer than 233 political parties—many of them probably fronting for the officially disbanded BSPP—registered to contest the elections.

After a quarter-century of military dictatorship, Burmese from all walks of life—pensioners, peasants, members of ethnic groups, artists, even those too young to know anything but military rule—are banding together to articulate their private visions of democracy as they compose the goals of their new

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parties. Many of these new groupings, with wonderfully evocative names like "League for Mother Democracy," "New Ideology Improvement Party," and "Esprit de Corps Restoration Party," are insisting on a democratic and representative system of government. No one mentions a return to socialism—though many are using the opportunity to push more parochial objectives, such as "to develop astrological science and indigenous medicine," or "to make good use of the experiences and knowledge of retired personnel and pensioners," and even the seemingly self-contradictory "to provide religious freedom and to seek advice of the senior abbots . . . regarding the propagation of the Buddhist religion."[9]

By all accounts, the most formidable challenge to the Tatmadaw is the National League for Democracy party, headed, in an eerie twist, by the daughter of the military's own patron saint, Aung San. Blessed with relative youth, charisma and ambition, Aung San Suu Kyi, 43, who was two years old when her father was assassinated, has spent her adult life abroad, mostly in England where she married a British scholar. A visit to her dying mother in Rangoon last year coincided with the beginnings of the "democracy period" in Burma. Burmese history dictates the rise of a charismatic leader in times of crises, but it is difficult to predict whether the necessary political accommodation could be reached between the present or future leadership of the Tatmadaw and its mentor's daughter.

VI

The Saw Maung regime is hoping with time to establish legitimacy in the eyes of an outside world that is notoriously short on memory and long on political expediency. Sighs one Burmese journalist, who requested anonymity, "How long can the world stand on its principles?"

Burma's major international donors—the United States, West Germany and Japan—have, as an expression of their moral indignation, suspended foreign bilateral assistance totaling $400 million, most of it Japanese. This situation will be somewhat eased, however, by Japan's decision, announced in February 1989, to recognize the Saw Maung regime. Although it insisted that no new economic cooperation with Burma would take place until "the stability of the people's livelihood" is

[9] *Foreign Broadcast Information Service Daily Report* (FBIS-East Asia), December-January, 1988–89.

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assured, Tokyo also decided to resume aid already in the pipeline, probably pressured by the private Japanese corporations involved in construction projects.

Burma's external debt is nearly $5 billion, negligible perhaps compared in aggregate to Brazil's, but indicating a dangerously high debt-service ratio of at least 80 percent, perhaps higher. Moreover, the public sector and official economy suffer from a kyat that is grossly overvalued (by as much as 500 percent).

Burma's big debt will no doubt reinforce its traditional fear of foreigners. Largely as a reaction to colonial rule, when much of its economy was in the hands of foreigners, Burma equates the outside world with exploitation, and foreign economic systems as antithetical to nationalism and self-reliance. Negative attitudes persist toward ethnic Indians and Chinese, both of which groups are still active in the economy. Such antipathy was forged in the days when Rangoon was an overseas Indian city, controlled by moneylenders and traders from the subcontinent whose influence extended well into the rural sector. (Anti-Chinese riots came much later, in the 1960s, at the time of the Cultural Revolution.) These racial tensions endure despite the fact that many prominent citizens are "tainted" with foreign blood—for example Ne Win, born Shu Maung, who is thought to be part Chinese.

Burma seems to be willing to let one foreign nation act as mentor on the slow road to modernity—Japan, which has a unique opportunity to use its enormous economic clout to encourage political and economic reform in a country that has devoured billions of yen with little accountability. Coincidentally, last spring, before the uprising began, Japan had just advised visiting Burmese government officials to start reassessing their economic policies. Japan's relationship with Burma is complex, however, partly emotional and not entirely yen-based. Both countries seem to cherish memories of the Japanese-sponsored training of Burma's early nationalist group, the legendary "Thirty Comrades" who included both Aung San and Ne Win. Although the Japanese were largely responsible for the devastation of Burma during World War II—in Asia, the severity of the wartime destruction in Burma was perhaps second only to that which occurred in Japan itself—the Burmese have not displayed toward their former enemies the ambivalence that they harbor toward the West and Western culture. Only a few years ago Burma received the single biggest

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share of Japanese technical foreign aid, indicating the special concern of the Japanese.

What of the other major donors, West Germany and the United States? Many of the pro-democracy demonstrations in Rangoon were held in front of the U.S. embassy, though this probably reflected more concern for personal safety and enhanced international publicity than a larger political significance. Nevertheless, the United States doubtlessly symbolized the protesters' inchoate demands for democratic change. Says U.S. Ambassador Levin, "When you get crowds in front of an American embassy, you don't think of people necessarily having positive feelings, let me assure you. This time the United States was the first government to come out publicly and deplore the shooting incident in front of the hospital. We were on the record, we were first, we were strong on the subject."

The apparent pro-Western sentiment was reinforced by daily broadcasts in Burmese by the Voice of America, which, along with the British Broadcasting Corporation, kept the Burmese nation abreast of developments. (The usually state-controlled Burmese press was unbridled for only about a month during the summer.) Unfortunately, much of the reportage was broadcast from outside Burma; if international television, radio and print reporters could have chronicled the uprisings from within Burma, as happened in the Philippines, things might conceivably have taken a different course.

The U.S. government, however, has not had to formulate a real Burma policy for many years, since its substantive interest in the nation peaked in the 1950s. World War II turned northern Burma into an experimental training ground for the anti-Japanese espionage teams of Wild Bill Donovan's nascent Force 101. Its parent institution, the Office of Strategic Services, returned a decade later as the Central Intelligence Agency to help the KMT's doomed efforts to rid mainland China of the Communists, though Burma was the first neutral country to recognize the People's Republic.

Under Ne Win, Burma has pursued a strict (and probably farsighted) policy of nonalignment in foreign affairs. In 1979 Burma, true to its own principles, quit the Non-Aligned Movement because it perceived a Soviet tilt. This won the country many admirers, among them the United States. Strict neutralism also kept Burma out of the Vietnam conflict and may explain the country's reluctance to join the Association of Southeast Asian Nations (ASEAN).

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With no military bases, business investments and limited political interests in Burma, the United States is in a rare position to exercise what an American diplomat in Rangoon calls "the luxury of living up to our principles." Promoting democracy is certainly easier than dealing with Washington's only other concern regarding Burma: its illicit narcotics exports, which will reach a record high this year.

Still, U.S. policy in Burma should not be dictated by drugs. Although Burma is the world's largest supplier of opium, most of the poppies are grown in areas not controlled by the central government by poor farmers who might, given adequate incentives, substitute alternative cash crops. It is useless, therefore, to attempt even a temporary solution to the opium-heroin network without trying to help bring about a lasting political settlement between the Burmese central government and the rebel groups that control the poppy crop.

Moreover, the United States must keep up the pressure on Thailand to monitor more effectively its notoriously porous borders with Burma, through which pass 90 percent of the drugs bound for the United States and Europe. Thailand, which has been internationally acclaimed for getting its own opium farmers to switch to other cash crops, seems far less interested in curbing the corrupt, but extremely lucrative, links between Burmese drug lords and their Thai-based distributors.

The United States could further demonstrate its principles by helping to keep the international spotlight focused on the publicity-shy Burmese regime. The U.S. Senate and House passed resolutions last summer, sponsored, respectively, by Senator Daniel P. Moynihan and Representative Stephen Solarz, Democrats of New York, condemning Burmese government violence against its citizens. Such actions cannot but help deter internal repression. In addition, visible expressions of global concern—exemplified in a joint statement by the 12 nations of the European Community condemning human rights abuses in Burma—are welcome.

The Burmese military seems to have no problem finding suppliers for replenishing its arms and weapons arsenal, including nations that have publicly denounced Burma and ostensibly cut off aid. Burma's sole foreign joint venture is with the West German firm Fritz Werner Industrie-Ausrüstungen, which among many other things, manufactures and exports arms and chemicals. Significantly, 88 percent of Fritz Werner Industrie-Ausrüstungen shares are indirectly controlled by the West

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German government, and some of the company's directors are West German government officials. Bonn was the second-largest donor of foreign aid to Burma until it suspended aid last year, and its apparent role in supplying arms to a land engaged in a civil war seems hypocritical.

Since 90 percent of Burma's foreign exchange comes from foreign grants and aid, the wisdom of bartering for arms with gems, minerals and other exportable commodities rather than using revenue from these natural resources for national development is highly questionable.

If Burma had erupted 25 years earlier the reaction of neighboring nations and the superpowers would have been totally different. But the region's geopolitics have shifted, due to China's modernization drive and India's self-appointed role as protector of democracy and stability in the subcontinent, and will likely shift further in light of an impending Sino-Soviet rapprochement.

Historically introverted Thailand, meanwhile, has taken a surprisingly aggressive approach toward its western neighbor. The Thip Tharn Thong Company is only one of several Thai firms that have rushed in to strike business deals, worth millions of dollars, for fishing, hotel and logging concessions. The latter is particularly troubling after Thailand's passage of a strict new antideforestation law. While India has reacted with hostility to the "new" Burmese regime, closing off trade routes between the two countries, Thailand is making a concerted effort to be friends with the Saw Maung government in order to launch—with a view to dominating—a regional "Golden Arc" of developing nations, including Burma, Laos, Cambodia and Vietnam.

VII

The Saw Maung regime, eager to project stability and openness, has announced a number of quick fixes, such as giving back to the nation its original name of the Union of Burma and renaming the Burma Socialist Program Party a less threatening "National Unity Party." The border trade between Burma and China's Yunnan province, estimated to be around $1 billion annually both ways, has been legitimized. A liberal code regulating foreign investment was hastily drawn up last November, followed by an announcement lifting the prohibition of onshore oil exploration.

Much of the country's riches, however, lie in remote areas

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made inaccessible by lack of basic infrastructure and civil war. Despite the promise of economic reform, without a realistic political solution to the draining ethnic wars, there can be no long-term prospects for peace and prosperous stability in Burma.

No one, certainly not the patient Burmese people, has ever been served by underestimating Ne Win. Thirty years ago, when he was still considered something of a hero, having voluntarily relinquished his 18-month caretaker government and turned down a nomination for the Magsaysay Award, Asia's Nobel Prize, Ne Win made a hardly original, but nonetheless chilling remark. On the occasion of what turned out to be the country's last free elections, he declared: "Let the country make its own choice. It will get the government it deserves."[10]

What the country really deserves is free and fair elections for all people in Burma, including the ethnic groups who have indicated a willingness to discuss reconciliation with Rangoon. The Tatmadaw must risk a fair contest if it wants to legitimize its claim as a true defender of the union. Whatever form of government eventually evolves from Burma's belated brush with democracy (a constitutional dictatorship?) will be the result of a totally and uniquely Burmese solution to the challenge.

[10] *The Nation* (Burma), Dec. 22, 1959.

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Jessica Tuchman Mathews

REDEFINING SECURITY

The 1990s will demand a redefinition of what constitutes national security. In the 1970s the concept was expanded to include international economics as it became clear that the U.S. economy was no longer the independent force it had once been, but was powerfully affected by economic policies in dozens of other countries. Global developments now suggest the need for another analogous, broadening definition of national security to include resource, environmental and demographic issues.

The assumptions and institutions that have governed international relations in the postwar era are a poor fit with these new realities. Environmental strains that transcend national borders are already beginning to break down the sacred boundaries of national sovereignty, previously rendered porous by the information and communication revolutions and the instantaneous global movement of financial capital. The once sharp dividing line between foreign and domestic policy is blurred, forcing governments to grapple in international forums with issues that were contentious enough in the domestic arena.

II

Despite the headlines of 1988—the polluted coastlines, the climatic extremes, the accelerating deforestation and flooding that plagued the planet—human society has not arrived at the brink of some absolute limit to its growth. The planet may ultimately be able to accommodate the additional five or six billion people projected to be living here by the year 2100. But it seems unlikely that the world will be able to do so unless the means of production change dramatically. Global economic output has quadrupled since 1950 and it must continue to grow rapidly simply to meet basic human needs, to say nothing of

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the challenge of lifting billions from poverty. But economic growth as we currently know it requires more energy use, more emissions and wastes, more land converted from its natural state, and more need for the products of natural systems. Whether the planet can accommodate all of these demands remains an open question.

Individuals and governments alike are beginning to feel the cost of substituting for (or doing without) the goods and services once freely provided by healthy ecosystems. Nature's bill is presented in many different forms: the cost of commercial fertilizer needed to replenish once naturally fertile soils; the expense of dredging rivers that flood their banks because of soil erosion hundreds of miles upstream; the loss in crop failures due to the indiscriminate use of pesticides that inadvertently kill insect pollinators; or the price of worsening pollution, once filtered from the air by vegetation. Whatever the immediate cause for concern, the value and absolute necessity for human life of functioning ecosystems is finally becoming apparent.

Moreover, for the first time in its history, mankind is rapidly—if inadvertently—altering the basic physiology of the planet. Global changes currently taking place in the chemical composition of the atmosphere, in the genetic diversity of species inhabiting the planet, and in the cycling of vital chemicals through the oceans, atmosphere, biosphere and geosphere, are unprecedented in both their pace and scale. If left unchecked, the consequences will be profound and, unlike familiar types of local damage, irreversible.

III

Population growth lies at the core of most environmental trends. It took 130 years for world population to grow from one billion to two billion: it will take just a decade to climb from today's five billion to six billion. More than 90 percent of the added billion will live in the developing world, with the result that by the end of the 1990s the developed countries will be home to only 20 percent of the world's people, compared to almost 40 percent at the end of World War II. Sheer numbers do not translate into political power, especially when most of the added billion will be living in poverty. But the demographic shift will thrust the welfare of developing nations further toward the center of international affairs.

The relationship linking population levels and the resource base is complex. Policies, technologies and institutions deter-

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mine the impact of population growth. These factors can spell the difference between a highly stressed, degraded environment and one that can provide for many more people. At any given level of investment and knowledge, absolute population numbers can be crucial. For example, traditional systems of shifting agriculture—in which land is left fallow for a few years to recover from human use—can sustain people for centuries, only to crumble in a short time when population densities exceed a certain threshold. More important, though, is the *rate* of growth. A government that is fully capable of providing food, housing, jobs and health care for a population growing at one percent per year (therefore doubling its population in 72 years), might be completely overwhelmed by an annual growth rate of three percent, which would double the population in 24 years.

Today the United States and the Soviet Union are growing at just under one percent annually (Europe is growing only half that fast). But Africa's population is expanding by almost three percent per year, Latin America's by nearly two percent and Asia's somewhat less. By 2025 the working-age population in developing countries alone will be larger than the world's current total population. This growth comes at a time when technological advance requires higher levels of education and displaces more labor than ever before. For many developing countries, continued growth at current rates means that available capital is swallowed up in meeting the daily needs of people, rather than invested in resource conservation and job creation. Such policies inescapably lay the foundations of a bleak future.

An important paradox to bear in mind when examining natural resource trends is that so-called nonrenewable resources—such as coal, oil and minerals—are in fact inexhaustible, while so-called renewable resources can be finite. As a nonrenewable resource becomes scarce and more expensive, demand falls, and substitutes and alternative technologies appear. For that reason we will never pump the last barrel of oil or anything close to it. On the other hand, a fishery fished beyond a certain point will not recover, a species driven to extinction will not reappear, and eroded topsoil cannot be replaced (except over geological time). There are, thus, threshold effects for renewable resources that belie the name given them, with unfortunate consequences for policy.

The most serious form of renewable resource decline is the

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deforestation taking place throughout the tropics. An area the size of Austria is deforested each year. Tropical forests are fragile ecosystems, extremely vulnerable to human disruption. Once disturbed, the entire ecosystem can unravel. The loss of the trees causes the interruption of nutrient cycling above and below the soil, the soil loses fertility, plant and animal species lose their habitats and become extinct, and acute fuelwood shortages appear (especially in the dry tropical forests). The soil erodes without the ground cover provided by trees and plants, and downstream rivers suffer siltation, causing floods and droughts, and damaging expensive irrigation and hydroelectric systems. Traced through its effects on agriculture, energy supply and water resources, tropical deforestation impoverishes about a billion people. This pattern is endemic throughout Central America, much of Asia, sub-Saharan Africa and South America.

The planet's evolutionary heritage—its genetic diversity—is heavily concentrated in these same forests. It is therefore disappearing today on a scale not seen since the age of the dinosaurs, and at an unprecedented pace. Biologists estimate that species are being lost in the tropical forests 1,000–10,000 times faster than the natural rate of extinction.[1] As many as 20 percent of all the species now living may be gone by the year 2000. The loss will be felt aesthetically, scientifically and, above all, economically. These genetic resources are an important source of food, materials for energy and construction, chemicals for pharmaceuticals and industry, vehicles for health and safety testing, natural pest controls and dozens of other uses.

The only reason that species loss is not a front-page issue is that the majority of species have not yet been discovered, much less studied, so that none but a few conservation biologists can even guess at the number and kinds of species that are vanishing. The bitter irony is that genetic diversity is disappearing on a grand scale at the very moment when biotechnology makes it possible to exploit fully this resource for the first time.

Soil degradation is another major concern. Both a cause and a consequence of poverty, desertification, as it is generally called, is causing declining agricultural productivity on nearly two billion hectares, 15 percent of the earth's land area. The causes are overcultivation, overgrazing, erosion, and saliniza-

[1] E.O. Wilson, ed., *Biodiversity*, Washington, D.C.: National Academy Press, 1988, pp. 3–18.

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tion and waterlogging due to poorly managed irrigation. In countries as diverse as Haiti, Guatemala, Turkey and India, soil erosion has sharply curtailed agricultural production and potential, sometimes destroying it completely. Though the data are uncertain, it is estimated that the amount of land permanently removed from cultivation due to salinization and waterlogging is equal to the amount of land newly irrigated at great expense each year.

Finally, patterns of land tenure, though not strictly an environmental condition, have an immense environmental impact. In 1975, seven percent of landowners in Latin America possessed 93 percent of all the arable land in this vast region. In Guatemala, a typical case, two percent of the population in 1980 owned 80 percent of the land, while 83 percent of farmers lived on plots too small to support a household. At the same time, even in Costa Rica, with its national concern for social equity, three percent of landowners held 54 percent of the land. These large holdings generally include the most desirable land. The great mass of the rural population is pushed onto the most damage-prone land, usually dry or highly erodible slopes, and into the forests. Land reform is among the most difficult of all political undertakings, but without it many countries will be unable to create a healthy agricultural sector to fuel economic growth.

Environmental decline occasionally leads directly to conflict, especially when scarce water resources must be shared. Generally, however, its impact on nations' security is felt in the downward pull on economic performance and, therefore, on political stability. The underlying cause of turmoil is often ignored; instead governments address the poverty and instability that are its results.

In the Philippines, for example, the government regularly granted logging concessions of less than ten years. Since it takes 30–35 years for a second-growth forest to mature, loggers had no incentive to replant. Compounding the error, flat royalties encouraged the loggers to remove only the most valuable species. A horrendous 40 percent of the harvestable lumber never left the forests but, having been damaged in the logging, rotted or was burned in place. The unsurprising result of these and related policies is that out of 17 million hectares of closed forests that flourished early in the century only 1.2 million remain today. Moreover, the Philippine government received a fraction of the revenues it could have collected if it had

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followed sound resource management policies that would have also preserved the forest capital. This is biological deficit financing writ large.

Similarly, investments in high-technology fishing equipment led to larger harvests but simultaneously depleted the stock. Today, ten of 50 major Philippine fishing grounds are believed to be overfished; the net result of heavy investment is that the availability of fish per capita has actually dropped. These and other self-destructive environmental policies, combined with rapid population growth, played a significant role in the economic decline that led to the downfall of the Marcos regime. So far, the government of Corazon Aquino has made few changes in the forestry, fishery and other environmental policies it inherited.

Conditions in sub-Saharan Africa, to take another case, have reached catastrophic dimensions. In the first half of this decade export earnings fell by almost one-third, foreign debt soared to 58 percent of GNP, food imports grew rapidly while consumption dropped, and per capita GNP fell by more than three percent. A large share of those woes can be traced to Africa's dependence on a fragile, mismanaged and overstressed natural resource base.

Exports of mineral and agricultural commodities alone account for a quarter of the region's GNP, and nearly three-quarters of the population makes its living off the land, which also supplies, as fuelwood, 80 percent of the energy consumed. The land's capacity to produce is ebbing away under the pressure of rapidly growing numbers of people who do not have the wherewithal to put back into the land what they take from it. A vicious cycle of human and resource impoverishment sets in. As the vegetative cover—trees, shrubs and grass—shrinks from deforestation and overgrazing, soil loses its capacity to retain moisture and nourish crops. The decline accelerates as farmers burn dung and crop residues in place of fuelwood, rather than using them to sustain the soil. Agricultural yields then fall further, and the land becomes steadily more vulnerable to the naturally variable rainfall that is the hallmark of arid and semiarid regions, turning dry spells into droughts and periods of food shortage into famines. Ethiopia is only the most familiar case. The sequence is repeated throughout the region with similarly tragic results.

If such resource and population trends are not addressed, as they are not in so much of the world today, the resulting

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economic decline leads to frustration, resentment, domestic unrest or even civil war. Human suffering and turmoil make countries ripe for authoritarian government or external subversion. Environmental refugees spread the disruption across national borders. Haiti, a classic example, was once so forested and fertile that it was known as the "Pearl of the Antilles." Now deforested, soil erosion in Haiti is so rapid that some farmers believe stones grow in their fields, while bulldozers are needed to clear the streets of Port-au-Prince of topsoil that flows down from the mountains in the rainy season. While many of the boat people who fled to the United States left because of the brutality of the Duvalier regimes, there is no question that—and this is not widely recognized—many Haitians were forced into the boats by the impossible task of farming bare rock. Until Haiti is reforested, it will never be politically stable.

Haitians are by no means the world's only environmental refugees. In Indonesia, Central America and sub-Saharan Africa, millions have been forced to leave their homes in part because the loss of tree cover, the disappearance of soil, and other environmental ills have made it impossible to grow food. Sudan, despite its civil war, has taken in more than a million refugees from Ethiopia, Uganda and Chad. Immigrants from the spreading Sahel make up one-fifth of the total population in the Ivory Coast. Wherever refugees settle, they flood the labor market, add to the local demand for food and put new burdens on the land, thus spreading the environmental stress that originally forced them from their homes. Resource mismanagement is not the only cause of these mass movements, of course. Religious and ethnic conflicts, political repression and other forces are at work. But the environmental causes are an essential factor.

IV

A different kind of environmental concern has arisen from mankind's new ability to alter the environment on a planetary scale. The earth's physiology is shaped by the characteristics of four elements (carbon, nitrogen, phosphorous and sulfur); by its living inhabitants (the biosphere); and by the interactions of the atmosphere and the oceans, which produce our climate.

Mankind is altering both the carbon and nitrogen cycles, having increased the natural carbon dioxide concentration in the atmosphere by 25 percent. This has occurred largely in the

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last three decades through fossil-fuel use and deforestation. The production of commercial fertilizer has doubled the amount of nitrogen nature makes available to living things. The use of a single, minor class of chemicals, chlorofluorocarbons, has punched a continent-sized "hole" in the ozone layer at the top of the stratosphere over Antarctica, and caused a smaller, but growing loss of ozone all around the planet. Species loss is destroying the work of three billion years of evolution. Together these changes could drastically alter the conditions in which life on earth has evolved.

The greenhouse effect results from the fact that the planet's atmosphere is largely transparent to incoming radiation from the sun but absorbs much of the lower energy radiation reemitted by the earth. This natural phenomenon makes the earth warm enough to support life. But as emissions of greenhouse gases increase, the planet is warmed *un*naturally. Carbon dioxide produced from the combustion of fossil fuels and by deforestation is responsible for about half of the greenhouse effect. A number of other gases, notably methane (natural gas), nitrous oxide, ozone (in the lower atmosphere, as distinguished from the protective ozone layer in the stratosphere) and the man-made chlorofluorocarbons are responsible for the other half.

Despite important uncertainties about aspects of the greenhouse warming, a virtually unanimous scientific consensus exists on its central features. If present emission trends continue, and unless some as yet undocumented phenomenon (possibly increased cloudiness) causes an offsetting cooling, the planet will, on average, get hotter because of the accumulation of these gases. Exactly how large the warming will be, and how fast it will occur, are uncertain. Existing models place the date of commitment to an average global warming of 1.5–4.5°C (3–8°F) in the early 2030s. The earth has not been this hot for two million years, long before human society, and indeed, even Homo sapiens, existed.

Hotter temperatures will be only one result of the continuing greenhouse warming. At some point, perhaps quite soon, precipitation patterns are likely to shift, possibly causing dustbowl-like conditions in the U.S. grain belt. Ocean currents are expected to do the same, dramatically altering the climates of many regions. A diversion of the Gulf Stream, for example, would transform Western Europe's climate, making it far colder than it is today. Sea level will rise due to the expansion

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of water when it is warmed and to the melting of land-based ice. The oceans are presently rising by one-half inch per decade, enough to cause serious erosion along much of the U.S. coast. The projected rise is one to four feet by the year 2050. Such a large rise in the sea level would inundate vast coastal regions, erode shorelines, destroy coastal marshes and swamps (areas of very high biological productivity), pollute water supplies through the intrusion of salt water, and put at high risk the vastly disproportionate share of the world's economic wealth that is packed along coastlines. The great river deltas, from the Mississippi to the Ganges, would be flooded. Estimates are that a half-meter rise in Egypt would displace 16 percent of the population, while a two-meter rise in Bangladesh would claim 28 percent of the land where 30 million people live today and where more than 59 million are projected to live by 2030.

Positive consequences would be likely as well. Some plants would grow more quickly, fertilized by the additional carbon dioxide. (Many of them, however, will be weeds.) Rainfall might rise in what are now arid but potentially fertile regions, such as parts of sub-Saharan Africa. Conditions for agriculture would also improve in those northern areas that have both adequate soils and water supplies. Nonetheless, as the 1988 drought in the United States vividly demonstrated, human societies, industrial no less than rural, depend on the normal, predictable functioning of the climate system. Climate undergoing rapid change will not only be less predictable because it is different, but may be inherently more variable. Many climatologists believe that as accumulating greenhouse gases force the climate out of equilibrium, climate extremes—such as hurricanes, droughts, cold snaps and typhoons—will become more frequent and perhaps more intense.

Since climate change will be felt in every economic sector, adapting to its impact will be extremely expensive. Developing countries with their small reserves of capital, shortages of scientists and engineers, and weak central governments will be the least able to adapt, and the gap between the developed and developing worlds will almost certainly widen. Many of the adaptations needed will be prohibitively costly, and many impacts, notably the effects on wildlife and ecosystems, will be beyond the reach of human correction. A global strategy that relies on future adaption almost certainly means greater economic and human costs, and vastly larger biological losses, than

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would a strategy that attempts to control the extent and speed of the warming.

Greenhouse change is closely linked to stratospheric ozone depletion, which is also caused by chlorofluorocarbons. The increased ultraviolet radiation resulting from losses in that protective layer will cause an increase in skin cancers and eye damage. It will have many still uncertain impacts on plant and animal life, and may suppress the immune systems of many species.

Serious enough in itself, ozone depletion illustrates a worrisome feature of man's newfound ability to cause global change. It is almost impossible to predict accurately the long-term impact of new chemicals or processes on the environment. Chlorofluorocarbons were thoroughly tested when first introduced, and found to be benign. Their effect on the remote stratosphere was never considered.

Not only is it difficult to anticipate all the possible consequences in a highly interdependent, complex system, the system itself is poorly understood. When British scientists announced the appearance of a continent-sized "hole" in the ozone layer over Antarctica in 1985, the discovery sent shock waves through the scientific community. Although stratospheric ozone depletion had been the subject of intense study and debate for more than a decade, no one had predicted the Antarctic hole and no theory could account for it.

The lesson is this: current knowledge of planetary mechanisms is so scanty that the possibility of surprise, perhaps quite nasty surprise, must be rated rather high. The greatest risk may well come from a completely unanticipated direction. We lack both crucial knowledge and early warning systems.

V

Absent profound change in man's relationship to his environment, the future does not look bright. Consider the planet without such change in the year 2050. Economic growth is projected to have quintupled by then. Energy use could also quintuple; or if post-1973 trends continue, it may grow more slowly, perhaps only doubling or tripling. The human species already consumes or destroys 40 percent of all the energy produced by terrestrial photosynthesis, that is, 40 percent of the food energy potentially available to living things on land. While that fraction may be sustainable, it is doubtful that it could keep pace with the expected doubling of the world's

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population. Human use of 80 percent of the planet's potential productivity does not seem compatible with the continued functioning of the biosphere as we know it. The expected rate of species loss would have risen from perhaps a few each day to several hundred a day. The pollution and toxic waste burden would likely prove unmanageable. Tropical forests would have largely disappeared, and arable land, a vital resource in a world of ten billion people, would be rapidly decreasing due to soil degradation. In short, sweeping change in economic production systems is not a choice but a necessity.

Happily, this grim sketch of conditions in 2050 is not a prediction, but a projection, based on current trends. Like all projections, it says more about the present and the recent past than it does about the future. The planet is not destined to a slow and painful decline into environmental chaos. There are technical, scientific and economical solutions that are feasible to many current trends, and enough is known about promising new approaches to be confident that the right kinds of research will produce huge payoffs. Embedded in current practices are vast costs in lost opportunities and waste, which, if corrected, would bring massive benefits. Some such steps will require only a reallocation of money, while others will require sizable capital investments. None of the needed steps, however, requires globally unaffordable sums of money. What they do demand is a sizable shift in priorities.

For example, family-planning services cost about $10 per user, a tiny fraction of the cost of the basic human needs that would otherwise have to be met. Already identified opportunities for raising the efficiency of energy use in the United States cost one-half to one-seventh the cost of new energy supply. Comparable savings are available in most other countries. Agroforestry techniques, in which carefully selected combinations of trees and shrubs are planted together with crops, can not only replace the need for purchased fertilizer but also improve soil quality, make more water available to crops, hold down weeds, and provide fuelwood and higher agricultural yields all at the same time.

But if the technological opportunities are boundless, the social, political and institutional barriers are huge. Subsidies, pricing policies and economic discount rates encourage resource depletion in the name of economic growth, while delivering only the illusion of sustainable growth. Population control remains a controversial subject in much of the world. The

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traditional prerogatives of nation states are poorly matched with the needs for regional cooperation and global decision-making. And ignorance of the biological underpinning of human society blocks a clear view of where the long-term threats to global security lie.

Overcoming these economic and political barriers will require social and institutional inventions comparable in scale and vision to the new arrangements conceived in the decade following World War II. Without the sharp political turning point of a major war, and with threats that are diffuse and long term, the task will be more difficult. But if we are to avoid irreversible damage to the planet and a heavy toll in human suffering, nothing less is likely to suffice. A partial list of the specific changes suggests how demanding a task it will be.

Achieving sustainable economic growth will require the remodeling of agriculture, energy use and industrial production after nature's example—their reinvention, in fact. These economic systems must become circular rather than linear. Industry and manufacturing will need processes that use materials and energy with high efficiency, recycle by-products and produce little waste. Energy demand will have to be met with the highest efficiency consistent with full economic growth. Agriculture will rely heavily upon free ecosystem services instead of nearly exclusive reliance on man-made substitutes. And all systems will have to price goods and services to reflect the environmental costs of their provision.

A vital first step, one that can and should be taken in the very near term, would be to reinvent the national income accounts by which gross national product is measured. GNP is the foundation on which national economic policies are built, yet its calculation does not take into account resource depletion. A country can consume its forests, wildlife and fisheries, its minerals, its clean water and its topsoil, without seeing a reflection of the loss in its GNP. Nor are ecosystem services—sustaining soil fertility, moderating and storing rainfall, filtering air and regulating the climate—valued, though their loss may entail great expense. The result is that economic policymakers are profoundly misled by their chief guide.

A second step would be to invent a set of indicators by which global environmental health could be measured. Economic planning would be adrift without GNP, unemployment rates, and the like, and social planning without demographic indicators—fertility rates, infant mortality, literacy, life expect-

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ancy—would be impossible. Yet this is precisely where environmental policymaking stands today.

Development assistance also requires new tools. Bilateral and multilateral donors have found that project success rates climb when nongovernmental organizations distribute funds and direct programs. This is especially true in agriculture, forestry and conservation projects. The reasons are not mysterious. Such projects are more decentralized, more attuned to local needs and desires, and have a much higher degree of local participation in project planning. They are usually quite small in scale, however, and not capable of handling very large amounts of development funding. Often, too, their independent status threatens the national government. Finding ways to make far greater use of the strengths of such groups without weakening national governments is another priority for institutional innovation.

Better ways must also be found to turn the scientific and engineering strengths of the industrialized world to the solution of the developing world's problems. The challenges include learning enough about local constraints and conditions to ask the right questions, making such research professionally rewarding to the individual scientist, and transferring technology more effectively. The international centers for agricultural research, a jointly managed network of thirteen institutions launched in the 1960s, might be improved upon and applied in other areas.

On the political front, the need for a new diplomacy and for new institutions and regulatory regimes to cope with the world's growing environmental interdependence is even more compelling. Put bluntly, our accepted definition of the limits of national sovereignty as coinciding with national borders is obsolete. The government of Bangladesh, no matter how hard it tries, cannot prevent tragic floods, such as it suffered last year. Preventing them requires active cooperation from Nepal and India. The government of Canada cannot protect its water resources from acid rain without collaboration with the United States. Eighteen diverse nations share the heavily polluted Mediterranean Sea. Even the Caribbean Islands, as physically isolated as they are, find themselves affected by others' resource management policies as locusts, inadvertently bred through generations of exposure to pesticides and now strong enough to fly all the way from Africa, infest their shores.

The majority of environmental problems demand regional

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solutions which encroach upon what we now think of as the prerogatives of national governments. This is because the phenomena themselves are defined by the limits of watershed, ecosystem, or atmospheric transport, not by national borders. Indeed, the costs and benefits of alternative policies cannot often be accurately judged without considering the region rather than the nation.

The developing countries especially will need to pool their efforts in the search for solutions. Three-quarters of the countries in sub-Saharan Africa, for example, have fewer people than live in New York City. National scientific and research capabilities cannot be built on such a small population base. Regional cooperation is required.

Dealing with global change will be more difficult. No one nation or even group of nations can meet these challenges, and no nation can protect itself from the actions—or inaction—of others. No existing institution matches these criteria. It will be necessary to reduce the dominance of the superpower relationship which so often encourages other countries to adopt a wait-and-see attitude (you solve your problems first, then talk to us about change).

The United States, in particular, will have to assign a far greater prominence than it has heretofore to the practice of multilateral diplomacy. This would mean changes that range from the organization of the State Department and the language proficiency of the Foreign Service, to the definition of an international role that allows leadership without primacy, both in the slogging work of negotiation and in adherence to final outcomes. Above all, ways must soon be found to step around the deeply entrenched North-South cleavage and to replace it with a planetary sense of shared destiny. Perhaps the successes of the U.N. specialized agencies can be built upon for this purpose. But certainly the task of forging a global energy policy in order to control the greenhouse effect, for example, is a very long way from eradicating smallpox or sharing weather information.

The recent Soviet proposal to turn the U.N. Trusteeship Council, which has outlived the colonies it oversaw, into a trusteeship for managing the global commons (the oceans, the atmosphere, biological diversity and planetary climate) deserves close scrutiny. If a newly defined council could sidestep the U.N.'s political fault lines, and incorporate, rather than supplant, the existing strengths of the United Nations Environ-

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ment Programme, it might provide a useful forum for reaching global environmental decisions at a far higher political level than anything that exists now.

Today's negotiating models—the Law of the Sea Treaty, the Nuclear Nonproliferation Treaty, even the promising Convention to Protect the Ozone Layer—are inadequate. Typically, such agreements take about 15 years to negotiate and enter into force, and perhaps another ten years before substantial changes in behavior are actually achieved. (The NPT, which required only seven years to complete these steps, is a notable exception.) Far better approaches will be needed.

Among these new approaches, perhaps the most difficult to achieve will be ways to negotiate successfully in the presence of substantial scientific uncertainty. The present model is static: years of negotiation leading to a final product. The new model will have to be fluid, allowing a rolling process of intermediate or self-adjusting agreements that respond quickly to growing scientific understanding. The recent Montreal agreement on the ozone layer supplies a useful precedent by providing that one-third of the parties can reconvene a scientific experts group to consider new evidence as it becomes available. The new model will require new economic methods for assessing risk, especially where the possible outcomes are irreversible. It will depend on a more active political role for biologists and chemists than they have been accustomed to, and far greater technical competence in the natural and planetary sciences among policymakers. Finally, the new model may need to forge a more involved and constructive role for the private sector. Relegating the affected industries to a heel-dragging, adversarial, outsiders role almost guarantees a slow process. The ozone agreement, to cite again this recent example, would not have been reached as quickly, and perhaps not at all, had it not been for the cooperation of the chlorofluorocarbon producers.

International law, broadly speaking, has declined in influence in recent years. With leadership and commitment from the major powers it might regain its lost status. But that will not be sufficient. To be effective, future arrangements will require provisions for monitoring, enforcement and compensation, even when damage cannot be assigned a precise monetary value. These are all areas where international law has traditionally been weak.

This is only a partial agenda for the needed decade of invention. Meanwhile, much can and must be done with exist-

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ing means. Four steps are most important: prompt revision of the Montreal Treaty, to eliminate completely the production of chlorofluorocarbons no later than the year 2000; full support for and implementation of the global Tropical Forestry Action Plan developed by the World Bank, the U.N.'s Development Programme, the Food and Agricultural Organization, and the World Resources Institute; sufficient support for family planning programs to ensure that all who want contraceptives have affordable access to them at least by the end of the decade; and, for the United States, a ten-year energy policy with the goal of increasing the energy productivity of our economy (i.e., reducing the amount of energy required to produce a dollar of GNP) by about three percent each year. While choosing four priorities from dozens of needed initiatives is highly arbitrary, these four stand out as ambitious yet achievable goals on which a broad consensus could be developed, and whose success would bring multiple, long-term global benefits touching every major international environmental concern.

VI

Reflecting on the discovery of atomic energy, Albert Einstein noted "everything changed." And indeed, nuclear fission became the dominant force—military, geopolitical, and even psychological and social—of the ensuing decades. In the same sense, the driving force of the coming decades may well be environmental change. Man is still utterly dependent on the natural world but now has for the first time the ability to alter it, rapidly and on a global scale. Because of that difference, Einstein's verdict that "we shall require a substantially new manner of thinking if mankind is to survive" still seems apt.

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Gregory F. Treverton

BOOK REVIEW ESSAY

DANGER AND SURVIVAL: CHOICES ABOUT THE BOMB IN THE FIRST FIFTY YEARS. By McGeorge Bundy. New York: Random House, 1988, 735 pp. $24.95.

"A nuclear war cannot be won and must never be fought." The words are Ronald Reagan's. While McGeorge Bundy, like many others, finds Reagan's thinking about nuclear weapons muddy and his administration's public presentation of nuclear reality disgraceful, this particular sentence is crystal clear. It echoes the conclusion of the only person ever to authorize a nuclear strike, Harry Truman: "Starting an atomic war is totally unthinkable for rational men."

These sentences reflect the central message of Bundy's magisterial history of decisions during mankind's half-century of living with atomic fire. The message is deceptively simple: since 1945 no nation has ever come close to using a nuclear weapon, not even the United States during what is now too often remembered as a golden age of nuclear monopoly, followed by a period of superiority.

From the start of the nuclear age, Bundy argues, any superpower crisis that involved the "scent of burning" also evoked the smell of nuclear danger, and so American and Soviet heads of government were impelled toward prudence. Confrontations thus turned on other factors: the dispute over Berlin on Khrushchev's appreciation that taking action beyond his nuclear bluster would only galvanize the NATO partners; the Cuban missile crisis on American conventional superiority.

The book reaffirms Bundy's credentials for writing on this momentous subject. In the first half, which covers the nuclear age through the Eisenhower Administration, his method is primarily historical, but he walks around and around his cases searching for how they might have turned out differently.

We have, for instance, Truman's testimony that the decision to drop the bomb on Japan was not a difficult one. Perhaps it was not for him, a newcomer to the atomic secret, preoccupied with finishing the job FDR had started. For the decision to have come out another way—a demonstration shot, a warning, or an invitation of neutral observers to New Mexico for the test—would have taken analyses that were not much at hand, arguments that were "iffy" and were not pressed hard. Ideas unthought of by advisers seldom spring from the heads of presidents, certainly not from Truman's, in his circumstances.

When Bundy turns to the Kennedy and Johnson administrations of which he was a central officer, his account is enriched by inside detail but not embroidered by self-justification. Throughout he is charitable to those with whom he disagrees, to a degree that underlines the sad shrillness of our recent public debates over nuclear issues. He does not shrink from admitting he still thinks he was right, but is also charmingly prepared to admit error. For instance, he regrets that the Kennedy Administration never made the case for civil defense; that by tiring so quickly of the swim against popular distaste for the idea it let what should have been simple prudence become

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identified as the craziness of those who were prepared to fight a nuclear war.

In discussing more recent administrations, Bundy cannot rely on the perspective of history or personal participation. As are many, he is hard put to fathom the Reagan White House, with its kindly board chairman as president. But he does have good sense, even about his own previously held views. In the conclusion he recants, without quite saying so, his earlier advocacy of a NATO pledge not to use nuclear weapons first. A retraction is not really needed, because the earlier advocacy now seems an effort to move debate at a point since passed. Yet Bundy acknowledges the liabilities of such a "made in America" solution, which deeply divided the Europeans it was intended to reassure.

His prose is compressed but clear and graceful. His insights about the behavior of officials in high office have the authority of one who knows whereof he speaks—for instance, he writes of FDR: "As presidents will, he talked more and listened less as he grew older." If Bundy's walks around his cases occasionally become tiring—in revisiting the Cuban missile crisis, for example—his observations are still wise and careful. So, too, if Bundy occasionally betrays an old Harvard dean's temptation to whittle the meaning of a sentence too finely with one too many negatives, the effect is to compel a pause for reflection.

The book is clear about what nuclear weapons have *not* done—unused, their threat has not determined the course of international crises—but it cannot be so clear about what they *have* done. With the exception of Israel, all the nations that built nuclear weapons after the United States did so less for immediate reasons of national security than for broader urgings of national identity. To paraphrase de Gaulle, if other nations had nuclear weapons, France could not be France without them. And while the good general would not have said it, possessing the bomb must have seemed all the more imperative because Britain had it, and all the more attractive because Germany did not.

None of the states that now have these weapons show signs of resigning from the nuclear club, even though Bundy is surely correct in saying that none have seen their international positions appreciably strengthened by their nuclear status. Indeed, only France under de Gaulle spoke as though it expected nuclear grandeur to translate into diplomatic leverage. Yet the symbol of national autonomy persists. The symbol is, to put it mildly, unattractive to non-nuclear allies, and so France falls back on telling West Germans that they ought to be comforted by French weapons, never mind precisely why.

Bundy examines the few instances in which more-or-less explicit nuclear threats were made, and also several of the more numerous occasions that involved vaguer nuclear "threads"—when the possibility of escalation was not stated but was nevertheless implicitly woven into the fabric of the conflict. His primary purpose is to demonstrate how distant these instances remained from nuclear confrontation, how much "more prudence than menace" was present even then. That case he makes compellingly.

Yet, Bundy points out, in several early instances nuclear "threads" made for success, or at least history cannot be said to demonstrate that they failed. At Geneva in 1954 the Western powers won more than they expected in

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negotiations over Southeast Asia, and Bundy, agreeing with Anthony Eden, concludes that "the existence of thermonuclear weapons in the hands of the Americans increased the appeal of a peaceful result for the Russians and perhaps also the Chinese"—even if no threat was made. So, too, while Eisenhower's more explicit nuclear threats over Quemoy and Matsu look, especially now, like strategic risks out of all proportion to the prize, "within their limited terms they cannot be called unsuccessful."

During the 1973 Middle East war, the American alert contained a nuclear thread that was less a threat than a signal of resolve. It might have been redundant, but it, too, cannot be called a failure, Bundy concludes. Other thoughtful studies reach a similar conclusion: when nuclear weapons have been used to convey political signals, in the explicit hope that no fighting of any sort would occur, the signals often have succeeded in their specific purpose.[1] Nor has "success" been markedly less likely for the United States since the Soviet Union came to be its nuclear equal.

Bundy's "superficially paradoxical" conclusion about Geneva in 1954 fits this broader set of cases as well:

> The very weapon whose real availability seems quite uncertain, given the hesitancy and secretiveness surrounding suggestions for its use, was still a force in the process by which a temporary settlement is reached.

Indeed it is hard to escape the conclusion that these nuclear threads seemed to work precisely because the superpowers were so aware both of the nuclear danger *and* of its distance in a particular case. Because the danger was so remote there was space for a safe resolution. Because the danger was so terrible, the signal was understood: "make no mistake, I care very much about this issue."

The most elusive of these slippery nuclear threads is whether the state of the nuclear balance itself has an effect on national behavior independent of particular threats or signals. Henry Kissinger's changes of mind illustrate just how elusive this question can be. As a student of nuclear matters in the 1950s he fretted about Soviet "blackmail" deriving from nuclear superiority. As a defender of SALT I in the 1970s, however, he mused about what possible meaning "superiority" could have when both sides had thousands of nuclear weapons. And still later in the same decade he had turned around again, fearing, as did the Committee on the Present Danger, that Soviet superiority "must exponentially increase" Moscow's willingness to take risks.

Happily, Bundy notes, that last fear has turned out to be unfounded: Soviet risk-taking has not increased in the last decade, during which the nuclear "window of vulnerability," if it existed a decade ago, remained as wide open as ever. More likely, the window was never real: the Reagan Administration wisely closed it in 1984, at least in the language of the Scowcroft panel. The rhetorical closing can be seen as an implicit acknowledgement that the window never existed.

The nuclear stalemate is robust; a thousand weapons, more or less, do

[1] For instance, Barry M. Blechman and Stephen S. Kaplan, eds., *Force Without War*, Washington: Brookings Institution, 1978.

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not upset it. And neither do they produce usable political advantage. Still, as Bundy observes, it does a good argument no good to push it too far. If he and his colleagues during the Cuban missile crisis were not as comforted by American nuclear superiority as outside commentaries would have it, especially those made through the rosy glasses of hindsight, neither would those men have wanted to trade nuclear places with the Soviet Union. Geneva or Quemoy and Matsu may be evidence of the political effect of dramatic inferiority, something the United States has never suffered. But marginal differences do not matter.

It is always easy and almost always unfair for reviewers to ask authors for something more. Still, I wish Bundy had turned his conclusion into an exploration of the relation between the nuclear decisions that are his subject and the attitudes of the citizens in whose name they were taken. His own calm understanding seems very far from the tenor of our recent debate. So, too, while I hold no brief for my fellow strategists as a profession—there have been many, in uniform or out, promoting half-cocked schemes—the best of them have seen the nature of nuclear reality clearly from the beginning of the nuclear age.

Thus, the first American nuclear strategist, Bernard Brodie, writing in 1945, captured that reality in a paragraph that has not been improved upon since:

> It seems hardly likely, at least as among great powers at some distance from each other, that an attack can be so completely a surprise and so overwhelming as to obviate the opponent's striking back with atomic bombs on a large scale. For this reason, the atomic bomb may prove in the net a powerful inhibition to aggression. It would make little difference if one power had more bombs and were better prepared to resist them than the opponent.[2]

Bundy does pause over the corrosive effects of secrecy. Wartime concealment of the Manhattan Project became *the* postwar secret, understandably cherished as a legacy. Yet by continuing wartime habits, postwar leaders hid much more than they needed to, and made their early attempts at international atomic control still more one-sided than they needed to be. Presidents at least through Eisenhower were inhibited in sharing with fellow citizens their own understanding of nuclear reality. The Eisenhower of Bundy's detailed history is a far cry from the nuclear bomb-rattler he used to be seen as having been.

Secrecy no longer is a problem, but truth-telling by national leaders is still in short supply. A little would go a long way, as Bundy says. Those leaders conjured fanciful visions, in earlier times, of easy nuclear answers to hard international crises, or, more recently, of easy escapes from nuclear reality through disarmament or defense. Both of President Bush's immediate predecessors spoke loosely of ridding the world of nuclear weapons when they should have known better. One, President Reagan, evoked a leakproof nuclear "umbrella"; Brodie knew better two generations ago.

Technology or better political relations may one day lead the world away

[2] "The Atomic Bomb and American Security," Yale Institute of International Studies Memorandum No. 18, Nov. 1, 1945; reprinted in Philip Bobbitt, Lawrence Freedman and Gregory F. Treverton, *U.S. Nuclear Strategy: A Reader*, New York: St. Martin's Press, 1989.

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from nuclear deterrence, but that day will not come soon. Until then, we will live with the fact of deterrence. And with decisions as decent as those of the last half-century, the nuclear danger can be contained. We may come to feel, as Thomas Schelling has noted, not that we are consciously deterred through terror, but rather that nuclear weapons remain unused for the same reason that we do not step blithely into busy streets: we simply know better.[3]

It may be, finally, that we cannot think clearly about nuclear weapons for the same reason we need not worry they will be used: they are too horrible. One of Bundy's reviewers, the eminent British scientific adviser, Lord Zuckerman, has worried that the horror has diminished, that nuclear weapons have come to be seen as "normal components of a usable armory of weapons."[4] He is not alone in expressing this concern, but in my view it is a profoundly mistaken judgment. Rather, the stigmatizing of nuclear weapons grows with each year; each generation rediscovers the horror afresh.

The real danger is that by shrinking from thought, leaders will make the world less safe. For all the wisdom of Bundy's analysis, for instance, it underestimates the risk that the current arms control track, from the "zero option" in 1981 to the Intermediate-range Nuclear Forces Treaty of 1987, is leading toward a worryingly unpredictable nuclear future in Europe.

There is reason to welcome all the work, including this splendid book, that has gone into making sure that nuclear weapons, unusable and unused, will never be used. But there is reason to regret that the nuclear horror has monopolized attention even as it has discouraged thought. As a result, we have devoted too little attention to those conventional weapons that are used to such devastating effect around the world every day.

[3] Thomas C. Schelling, "What Went Wrong with Arms Control?" *Foreign Affairs*, Winter 1985/86, p. 233.

[4] *The New York Times Book Review*, Dec. 18, 1988, p. 38.

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

John C. Campbell

THE MODERN SOCIAL CONFLICT. By Ralf Dahrendorf. New York: Weidenfeld & Nicolson, 1988, 219 pp. $17.95.

Writing from a rich experience in both public service and public philosophy, Ralf Dahrendorf is well placed to describe the road political man has traveled since World War II and to weigh his prospects for the future. Drawing on Max Weber, Raymond Aron and others, and on his own analysis of developments in the Western democracies, he weaves a pattern in which the twin drives for "entitlements" (civil rights and welfare) and "provisions" (economic initiatives and growth) are often, but not necessarily, in conflict. A social democrat, he sees the declining vigor of traditional social democracy and the need for a new liberal agenda, a new "social contract" and a "world civil society." Not utopian musing, it is uncommon practical wisdom.

THE SHOEBLACK AND THE SOVEREIGN: REFLECTIONS ON ETHICS AND FOREIGN POLICY. By George Walden. New York: St. Martin's, 1988, 176 pp. $14.95.

A learned, literate and sprightly disquisition on a subject that is well worn but will never be exhausted. Walden, a British diplomat, makes a sharp distinction between morality and moralism in foreign policy. The latter, in the hands of the realists or idealists (in Walden's terms, brutalists and pietists), can be a real menace, as when it gives its cue to the unbridled cold warrior or passionate nuclear pacifist. As for morality, it will inevitably be present as a standard, heeded or not, as governments and peoples are faced with decisions on such matters as arms sales, foreign aid and immigration policy. Yet we have no sure guidance on how to define, measure and apply it. Walden suggests, among other things, using common sense and the salutary experience of history.

THE FATE OF NATIONS: THE SEARCH FOR NATIONAL SECURITY IN THE NINETEENTH AND TWENTIETH CENTURIES. By Michael Mandelbaum. New York: Cambridge University Press, 1988, 416 pp. $13.95.

The author's central thesis is that a nation's security policy is conditioned primarily by the international environment. Thus, two states with differing domestic systems will tend to pursue similar fundamental foreign policy. There are six essays: insightful, well crafted and including the United States from 1945 to 1980 but (mercifully) not the Soviet Union. The two most intriguing essays are on France between the wars and Israel since 1949: both middle-level powers that faced external threats but chose different options with decisively different results. William G. Hyland

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POWER AND PREJUDICE: THE POLITICS AND DIPLOMACY OF RACIAL DISCRIMINATION. By Paul Gordon Lauren. Boulder (Colo.): Westview Press, 1988, 388 pp. $34.95 (paper, $19.95).

Racial prejudice has been with us since ancient times and is not about to disappear. Nevertheless, the progress made since World War II in recognizing and combating it as a problem of worldwide concern is a major achievement. Professor Lauren, with careful and thorough scholarship, traces the course of these developments through two world wars, the cold war, the anticolonial revolution and the tensions between the Third World and the West. Ethics and power politics are not natural partners, but moral standards can make gains, as the author argues and the record shows, when a balance between ethics and political realism is sought and found.

CHILDREN ENSLAVED. By Roger Sawyer. London and New York: Routledge, 1988, 238 pp. $35.00.

Exploitation of children, mainly in the Third World but also in the First, does not make a pretty story. Chattel slavery, debt bondage, child labor, child pornography, the street scene—Roger Sawyer describes it and wants to see something done about it through international action. Present U.N. procedures have been cumbersome, restrictive and utterly inadequate. He suggests a shift to the different structures and methods of the International Labour Organisation, with its long practical experience and provision for the participation of nongovernmental representatives.

CONFLICT AND PEACE IN THE MODERN INTERNATIONAL SYSTEM: A STUDY OF THE PRINCIPLES OF INTERNATIONAL ORDER. By Evan Luard. Albany: State University of New York Press, 1988, 318 pp.

In a revised edition of a standard work on international relations published in 1968 the author has made many changes, not least by taking account of all the wars that have taken place in the past 20 years. On the central question of how to achieve a more peaceful world, he looks, wisely, to a slowly emerging new structure of international relationships rather than to disarmament negotiations or the creation of some coercive world authority.

INTELLECTUALS. By Paul Johnson. New York: Harper & Row, 1989, 385 pp. $22.50.

Since the Enlightenment, says Paul Johnson, intellectuals have assumed the role of prophets and leaders of society. With the mixture of liveliness and disapprobation that characterized his *Modern Times*, Johnson points out the not particularly surprising discrepancy between what intellectuals say and what they do; he finds the private lives of Rousseau, Tolstoy, Marx, Sartre and many more shabby and self-serving. Although Johnson's acerbities seem justified in most instances, the effect is monotonous and rather dispiriting. Some of his choices (or targets) are puzzling—Ernest Hemingway the conscience of society? Lucy Despard

SPYBASE. Edited by Daniel Brandt. Arlington (Va.): Micro Associates, 1989, 5 diskettes, $35.00.

The title of this database for personal computers is gratuitously lurid, and quite misleading. It is in fact an all-purpose listing of persons who have

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been identified in the world's public media as being professionally engaged in international relations, in whatever capacity. Over 75,000 citations include bibliographical references to the publications in which the names and descriptions have appeared. Criteria for inclusion are somewhat quirky, but these may be refined as the program undergoes continuous revision and updating. With these limitations, it remains a helpful and easily accessible resource for research into the world's diplomatic and intelligence communities. Peter Grose

General: Military, Technological and Scientific

Gregory F. Treverton

WAR AND PEACE IN THE NUCLEAR AGE. By John Newhouse. New York: Knopf, 1989, 486 pp. $22.95.

Written as a companion to the PBS television series, this book ranges from atomic physics in the 1930s to the end of the Reagan Administration. It is enriched by Newhouse's interviews for *The New Yorker* and his own past as a government insider, and it has the benefit of McGeorge Bundy's recent volume. Its fast cuts give it the flavor of a documentary film, but it is an important story told by a gifted writer.

THE MASTER OF THE GAME: PAUL NITZE AND THE NUCLEAR PEACE. By Strobe Talbott. New York: Knopf, 1988, 416 pp. $19.95.

If Nitze, at the center of American defense policy for half a century, is the master of the game, Talbott is the master of what he calls the "second draft of history." In this instance the game was tedious for all its high politics: for three long years, beginning when he was 78 years old, Nitze drafted and redrafted, named and renamed, argued and reargued schemes to persuade Reagan to have his cake and eat it too by reaching a modest compromise over SDI that would have made possible a major strategic arms reduction with Moscow.

NEXT MOVES: AN ARMS CONTROL AGENDA FOR THE 1990s. By Edward L. Warner III and David A. Ochmanek. New York: Council on Foreign Relations, 1989, 163 pp. $10.95 (paper).

Based on a Council study group, this volume is a nice combination: terse and readable for those with a general interest plus plenty of detail and numbers for specialists. It sets the negotiations in their political context and suggests sensible ways forward. The new administration could have nothing better as background.

NATO'S CONVENTIONAL DEFENSES. By Stephen J. Flanagan. Cambridge: Ballinger, 1988, 172 pp. $34.95 (paper, $14.95). An International Institute for Strategic Studies Book.

As conventional arms control in Europe comes onto the agenda, so too will the debate about how much defense NATO needs move from the specialists to the politicians. This book is a thoughtful primer to that debate. Flanagan's careful analysis leaves him—and the reader—appropriately skeptical of panaceas for the problems in technology, doctrine, weapons or arms control.

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PREVENTING WORLD WAR III: A REALISTIC GRAND STRATEGY. By David M. Abshire. New York: Harper & Row, 1988, 331 pp. $19.95.

This readable memoir by an experienced Washingtonian, most recently U.S. ambassador to NATO, is a defense of NATO with side glances at issues elsewhere. The book is neither venturesome nor long on specifics—it calls for more-of-the-same-only-better, stronger conventional defense plus a more coherent arms control strategy—but it is distinguished by Abshire's career-long preoccupation with the public politics of defense. He is optimistic and charitable to almost everyone, even Europeans: "Aggressive Americans like myself typically want to fix things. Europeans often prefer to live with them."

THE SILENT PARTNER: WEST GERMANY AND ARMS CONTROL. By Barry M. Blechman and Cathleen Fisher. Cambridge: Ballinger, 1988, 266 pp.

This book attempts a kind of "mapping" of another government that is rare in foreign policy analysis. It brings public opinion and political party data down to fine-grain analysis of individuals and bureaucratic process in seeking to identify the critical determinants of West German arms control policy.

SURPRISE ATTACK: THE VICTIM'S PERSPECTIVE. By Ephraim Kam. Cambridge: Harvard University Press, 1988, 266 pp. $25.00.

Surprise attacks often succeed: so concludes Kam, echoing Roberta Wohlstetter's classic work on Pearl Harbor. His book is also reminiscent of hers in emphasizing that victims of surprise collude, albeit unwittingly, in their deception. Kam's 11 case studies since 1940 provide rich detail; he usefully summarizes existing literature on surprise, and his experience inside government—as an Israeli defense analyst—gives his account the texture of reality.

EXTENDED DETERRENCE AND THE PREVENTION OF WAR. By Paul K. Huth. New Haven: Yale University Press, 1988, 227 pp. $25.00.

This is not another book about Europe, a region where Soviet attack is (barely) conceivable but not imminent. Rather its subject is what Huth calls "extended-immediate deterrence" when a protector seeks to deter an imminent attack on an ally. The book's blending of case studies and quantitative analysis is shrewd, and its conclusions are commonsensically provocative for future American policy toward regional conflicts: successful deterrence has combined firm but flexible diplomacy with tit-for-tat military escalation.

THE PENTAGONISTS: AN INSIDER'S VIEW OF WASTE, MISMANAGEMENT AND FRAUD IN DEFENSE SPENDING. By A. Ernest Fitzgerald. Boston: Houghton Mifflin, 1989, 344 pp. $19.95.

This is a bitter broadside by a man with plenty to be bitter about: Fitzgerald was fired by Richard Nixon for blowing the whistle on the C-5A transport and has been isolated within the Pentagon ever since. This surely is the season for fresh thought about what is wrong with the Pentagon, but Fitzgerald's salvo is too broad to provide either diagnosis or prescription; his targets range from simple greed to the alleged crisis in America's industrial system.

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THE CIA AND AMERICAN DEMOCRACY. By Rhodri Jeffreys-Jones. New Haven: Yale University Press, 1989, 338 pp. $25.00.

This is also the season for CIA histories, and this one is both widely researched and readably short. It is strong in locating the CIA in its democratic context—the forbidding of CIA activities at home, for instance, reflected the fear of a police state, but it also made for ragged relations between the CIA and the FBI. Unfortunately, as it is preoccupied with the Iran-contra affair, the book misses *the* CIA story of the 1980s: once exceptional, the CIA has come to resemble the rest of the government in the character of its relations with that other branch, Congress.

SOVIET BALLISTIC MISSILE DEFENSE AND THE WESTERN ALLIANCE. By David S. Yost. Cambridge: Harvard University Press, 1988, 405 pp. $30.00.

MISSILE DEFENSES AND WESTERN EUROPEAN SECURITY. By Robert M. Soofer. Westport (Conn.): Greenwood Press, 1988, 174 pp.

After all that has been written on strategic defense, it would seem hard to contribute to the debate. Yost does so, however, and as is characteristic of his thoughtful writing, he does so by basing his conclusions for Western policy on a meticulous and richly documented treatment of Soviet missile defense programs. Soofer's is a brief for missile defense, both strategic and tactical, "to deny the Soviets the benefit of their nuclear and conventional superiority." His book has the virtue of making its premises explicit—for instance, that a transition toward defense is not as dangerous as is often assumed because the Soviet Union would have no more incentive to launch a first strike then than now, and that before Moscow matched NATO's missile defenses, NATO would have time to improve its conventional defenses.

THE NEW WIZARD WAR: HOW THE SOVIETS STEAL U.S. HIGH TECHNOLOGY—AND HOW WE GIVE IT AWAY. By Robyn Shotwell Metcalfe. Redmond (Wash.): Tempus Books, 1988, 288 pp. $17.95.

Ms. Metcalfe provides a readable account of how the Soviet Union exploited existing or unenforced trade policies in the West, carried out their intelligence operations and deviously twisted détente to advance their own selfish national interests. Some sections of the book, especially the chapters on technology diversion—for example, the Toshiba Machine Company and the Walker spy case—are quite interesting; other sections are overwrought, with gross simplifications and cold-war stereotypes that already seem dated.

Patricia Dorff

General: Economic and Social

William Diebold, Jr.

BEYOND GLOBALISM: REMAKING AMERICAN FOREIGN ECONOMIC POLICY. By Raymond Vernon and Debora L. Spar. New York: Free Press, 1988, 246 pp. $22.95.

The opening chapter of this interesting book is a masterful account of the changes in American foreign economic policy—and the world economy—since World War II. The following sections on trade, money, aid and multinationals are comprehensive but involve selectivity, which will

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draw a few dissents from those who stress different interpretations and facts. Professor Vernon and Ms. Spar are realistically gloomy about the prospects of international cooperation just when it is more needed than ever. They believe that what cannot be achieved by wide agreement must be sought by smaller combinations of countries—but we are not told who should try to do what. Since in the American system "it is pointless to attempt explaining any sequence of actions as if it resulted from the deliberations of a rational unitary actor," the book's recommendations stress methods of making policy rather than its content, which is disappointing. Among the most original of the many shrewd observations are those concerning "policy entrepreneurs" who appear from time to time in the executive branch and get things done in spite of the checks and balances that confuse the system—but they are not to be relied on as much in the future.

AMERICA IN THE WORLD ECONOMY: A STRATEGY FOR THE 1990s. By C. Fred Bergsten. Washington: Institute for International Economics, 1988, 250 pp. $29.95 (paper, $13.95).
DAY OF RECKONING: THE CONSEQUENCES OF AMERICAN ECONOMIC POLICY UNDER REAGAN AND AFTER. By Benjamin M. Friedman. New York: Random House, 1988, 323 pp. $19.95.

"The current prosperity," says Bergsten, "has a precarious foundation." The accompanying "sense of economic well-being," according to Friedman, is "an illusion based on borrowed time and borrowed money." Friedman goes into detail in a hard-hitting, eloquent condemnation of the government's fiscal misdeeds. Bergsten puts his emphasis on a set of policies calculated to get us back into international balance with the least pain—if all goes well. Each book strikingly demonstrates the inextricable connections needed between the internal and external measures. Without agreeing in all particulars, these very good books support and complement each other. Together with *After Reagan* by C. Michael Aho and Marc Levinson (reviewed in *Foreign Affairs*, Winter 1988/89) they provide not just starting places for the new administration but also analyses against which to test policy for some time to come.

THE 1992 CHALLENGE FROM EUROPE: DEVELOPMENT OF THE EUROPEAN COMMUNITY'S INTERNAL MARKET. By Michael Calingaert. Washington: National Planning Association, 1988, 148 pp. $15.00 (paper).

The European Community's program for "completing the internal market," the obstacles to it and the way American interests might be affected are all succinctly set forth in this very timely, useful book. Mr. Calingaert, a U.S. Foreign Service officer on leave, also provides well-reasoned estimates of what is likely to happen in each field.

POLLUTION AND THE STRUGGLE FOR THE WORLD PRODUCT: MULTINATIONAL CORPORATIONS, ENVIRONMENT, AND INTERNATIONAL COMPARATIVE ADVANTAGE. By H. Jeffrey Leonard. New York: Cambridge University Press, 1988, 254 pp. $39.50.

This excellent study begins with a close examination of the limited evidence that pollution controls are driving American industry abroad. It then moves to an enlightening study of how three industrializing coun-

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tries—Ireland, Spain and Mexico—have handled the pollution issue (Romania is also looked at but the material is thin). In a rapidly changing field, Mr. Leonard of the Conservative Foundation has found much material of great interest and analyzed it very judiciously.

INTERNATIONAL COMPETITION IN SERVICES: A CONSTITUTIONAL FRAMEWORK. By John H. Jackson. Washington: American Enterprise Institute, 1989, 84 pp. $16.50.

Because it may take decades to establish rules for international trade in the many heterogeneous activities called "services," Professor Jackson thinks it would be best to start by creating an organization that a large number of countries would join. Under this umbrella countries prepared to go further could negotiate tighter agreements and make arrangements tailored to the character of different services. As an expert on GATT he warns against recreating some of its weaknesses. This interesting book strikes a different note from most recent American writing about services.

THE INTERNATIONAL ECONOMIC ORDER: ESSAYS ON FINANCIAL CRISIS AND INTERNATIONAL PUBLIC GOODS. By Charles P. Kindleberger. Cambridge: MIT Press, 1989, 237 pp. $35.00.

Eight papers on financial crises and eight on public goods make up the seventh volume of collected papers by one of the few economists who manages to be stimulating, original and entertaining most of the time and controversial always. As usual, prolific citations show the wide range of his learning. This useful pulling together of papers that enlarge on Professor Kindleberger's much-discussed ideas about the requisites for international economic order is further enhanced by some brief remarks on the difference between leadership and hegemony.

INTERNATIONAL ECONOMIC SANCTIONS: IMPROVING THE HAPHAZARD U.S. LEGAL REGIME. By Barry E. Carter. New York: Cambridge University Press, 1988, 290 pp. $34.50.

This valuable book provides a meticulous account of the president's very diverse powers to control economic transactions for foreign policy purposes. Analyzing practice and politics as well as law, Professor Carter of Georgetown also puts forward thoughtful suggestions for improving the somewhat haphazard arrangements now in use.

GORBACHEV'S NEW THINKING: PROSPECTS FOR JOINT VENTURES. Edited by Ronald D. Liebowitz. Cambridge: Ballinger (for the International Institute for Economic Advancement), 1988, 213 pp.

In spite of the subtitle, only one of these papers deals primarily with joint ventures. It mainly calls for a better understanding of the usefulness of compensation agreements. Another study says that disappointment with compensation agreements is among the reasons Japanese-Soviet ventures in the Far East are not doing well. In other papers, a number of academics and three intelligence officials reflect familiar Western thinking about what perestroika is all about and how far it may go.

THE COMING SOVIET CRASH: GORBACHEV'S DESPERATE PURSUIT OF CREDIT IN WESTERN FINANCIAL MARKETS. By Judy Shelton. New York: Free Press, 1989, 246 pp. $22.50.

Because money is fungible, all Western credit—especially in joint ventures—is "the transfer of a strategic resource" that will strengthen the

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U.S.S.R. in military as well as other ways. Therefore the United States should "initiate a joint effort among Western allies to impose parallel restrictions" on credit to those imposed on goods by COCOM (which the author regards as having produced some extremely worthwhile results). In support of this argument Ms. Shelton of the Hoover Institution deploys a good bit of historical and current data on East-West credit and an analysis showing that the Soviet budget is seriously out of balance. She is unclear on what terms the credit ought to be rationed if it is not to be denied altogether, or whether the rather flashy title describes a Western objective.

EAST-SOUTH RELATIONS IN THE WORLD ECONOMY. Edited by Marie Lavigne. Boulder (Colo.): Westview Press, 1988, 288 pp. $44.95.

In this useful volume, a team of French scholars looks at a small but interesting segment of the world economy—the relations of the developing countries with the U.S.S.R. and its East European allies. The coverage is uneven but the leader of the group, Professor Lavigne of the Sorbonne, concludes that the socialist countries are mainly interested in importing from the South, but that they do not offer much in return to the developing nations. "East-South relations may already be past their era of greatest expansion."

SECURITY AND ECONOMY IN THE THIRD WORLD. By Nicole Ball. Princeton: Princeton University Press, 1988, 432 pp. $39.50 (paper, $16.50).

Inadequate and unreliable data, difficulties in establishing cause and effect, great variations among countries in economic condition and the place of the military are among the obstacles to sound generalization about the impact of security expenditures on development. So the result of this extensive study financed by the Swedish government is a "framework" and not a "general theory." It is especially valuable in noting complex connections and factors that might make security expenditures negative or positive in their effects. In spite of the uncertainties the author ventures the cautious conclusion that such expenditures are more likely to hinder than to promote economic growth and development in the Third World.

STEEL AND THE STATE: GOVERNMENT INTERVENTION AND STEEL'S STRUCTURAL CRISIS. By Thomas R. Howell, William A. Noellert, Jesse G. Kreier and Alan Wm. Wolff. Boulder (Colo.): Westview Press, 1988, 580 pp. $29.50 (paper).

The provenance of this book is not entirely clear, but some of the research was paid for by leading American steel companies and the analysis and writing seem to have been largely in the hands of a law firm. Nevertheless, it is a useful collection of data on policies of major countries toward carbon steel and the resulting problems. "Pervasive intervention" by governments is called the "principal cause" of lasting global overcapacity. U.S. policy is correctly said to be primarily reactive and lacking in a clear view of national interest. The authors' prescription for the future is for international negotiations to "ameliorate distortions" and let market forces play as far as possible.

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CONFLICT OVER THE WORLD'S RESOURCES. By Robert Mandel. Westport (Conn.): Greenwood Press, 1988, 148 pp.

This useful refresher on one of the oldest subjects in international relations tests general ideas against case studies of recent experience in whaling, oil, grain, strategic minerals and pollution (Chernobyl). The prescriptions for policies to avoid conflicts are sensible although not much is said about economic costs.

REASONS OF STATE: OIL POLITICS AND THE CAPACITIES OF AMERICAN GOVERNMENT. By G. John Ikenberry. Ithaca (N.Y.): Cornell University Press, 1988, 213 pp. $31.50 (paper, $10.95).

To explain the difficulties the U.S. government had in arriving at a workable oil policy after 1973, Professor Ikenberry of Princeton focuses on the inability of the executive branch to impose conditions on the domestic industry or live up to international commitments. He then, somewhat surprisingly, sees "the eventual American resort to market pricing in order to achieve energy adjustment" as an indication of "the importance of the market as an instrument of state capacity," i.e., the ability to carry out governmental purposes.

DOMESTIC TRADE POLITICS AND THE URUGUAY ROUND. Edited by Henry R. Nau. New York: Columbia University Press, 1989, 216 pp.

That domestic factors do much to shape trade policy is obvious enough. The advantage of this collection is that it presents studies of Brazil, China, India, South Korea and Mexico as well as the familiar cases of Japan, Germany and the United States. Although there are some interesting points about attitudes toward the Uruguay Round, the greater value of the book is in the examination of the organization and process of policymaking in each country.

COOPERATION AND COMPETITION IN THE GLOBAL ECONOMY. Edited by Antonio Furino. Cambridge: Ballinger, 1988, 374 pp. $35.00.

A National Science Foundation conference in 1986 called forth most of these papers, which diverge in view but remain relevant to questions of technology, production, and governmental and business policies concerning competitiveness.

THE STATE AND AMERICAN FOREIGN ECONOMIC POLICY. Edited by G. John Ikenberry, David A. Lake and Michael Mastanduno. Ithaca (N.Y.): Cornell University Press, 1988, 243 pp. $29.95 (paper, $9.95).

These inquiries into the influence of the views of government officials on American foreign economic policy come to diverse conclusions. There is some interesting material, particularly on trade policy before World War II, but the discussion is often marred by efforts to find general formulas which lead to oversimplification and the posing of unreal alternatives.

The United States

Gaddis Smith

GEORGE KENNAN AND THE DILEMMAS OF U.S. FOREIGN POLICY. By David Mayers. New York: Oxford, 1988, 402 pp. $32.50.

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Too much of previously published commentary on the ideas of George Kennan has focused narrowly on his role as the author of "containment." This excellent intellectual biography explores almost sixty years of Kennan's published and unpublished writings. One of the most interesting themes involves the tension between Kennan's preference for a foreign policy conducted by a highly educated and well-mannered elite and the turbulent, inefficient reality of American democratic society. In this century only Walter Lippmann can be compared with Kennan in terms of the quantity, range and power of ideas expressed over so long a time.

MANDATE FOR LEADERSHIP III: POLICY STRATEGIES FOR THE 1990s. Edited by Charles L. Heatherly and Burton Yale Pines. Washington: The Heritage Foundation, 1989, 927 pp.

The third quadrennial marching orders for a new presidential term from conservatives assembled by the Heritage Foundation: dozens of papers on everything from agriculture to terrorism, each with a list of specific policy recommendations. The 63 authors include many who served under President Reagan but few who seem destined for the Bush Administration. Many essays praise Reagan for his first term but suggest that he failed to live up to ideological standards in the second. The pieces on foreign and defense policy are predictably in favor of increased military programs and skepticism toward the Soviet Union; they are wary of diplomatic settlements. The domestic papers call for more deregulation, reliance on the free market and the abolition of racial quotas.

RESTRUCTURING AMERICAN FOREIGN POLICY. Edited by John D. Steinbruner. Washington: Brookings, 1989, 260 pp. $29.95 (paper, $10.95).

Eight data-filled and authoritative papers on the problems of maintaining military security, technological innovation and a healthy standard of living in a difficult world environment and an inflexible political system. The best essay is John Steinbruner's exploration of "The Prospect of Cooperative Security," i.e., a policy of responding creatively to Gorbachev's initiatives in ways which enhance stability and reduce military spending by a significant amount.

ON THE BRINK: AMERICANS AND SOVIETS REEXAMINE THE CUBAN MISSILE CRISIS. By James G. Blight and David A. Welch. New York: Hill & Wang, 1989, 400 pp. $24.95.

This valuable book contains the transcripts of several recent oral history sessions by American policymakers and scholars concerning the Cuban missile crisis (McNamara, Bundy, Sorensen, Nye, Neustadt and others) among themselves and with Soviet authorities who were close to the center of power in 1962. The authors supplement the group transcripts with interviews and their own analyses. Here we have an outstanding example of a new and unprecedented Soviet-American willingness to explore past crises together and with candor, a hopeful omen for still better histories and warmer political-intellectual relations to come.

THE PRESIDENCY AND THE MANAGEMENT OF NATIONAL SECURITY. By Carnes Lord. New York: Free Press, 1988, 207 pp. $22.50.

The author, who served on the National Security Council staff (1981–83), calls for presidential power to assert itself against intrusions on the

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executive by entrenched bureaucracies (especially the State Department), the media and Congress—the usual suspects for conservative analysts. He believes that Foreign Service officers generally fail to heed "operational military realities" when dealing with national security issues.

CONFRONTING THE THIRD WORLD: UNITED STATES FOREIGN POLICY, 1945–1980. By Gabriel Kolko. New York: Pantheon, 1988, 332 pp. $15.95 (paper).

A well-known historian and critic of American capitalism argues that a futile drive for economic hegemony is the central characteristic of U.S. policy toward the Third World and above all toward Latin America. By creating repressive local surrogates and concentrating the ownership of production the United States has brought about the revolutionary conditions which have been its undoing.

HIDDEN ILLNESS IN THE WHITE HOUSE. By Kenneth R. Crispell and Carlos F. Gomez. Durham (N.C.): Duke University Press, 1989, 267 pp. $27.50.

The authors combine medical and legal expertise in their discussion of the grave medical problems of Presidents Wilson, Franklin Roosevelt, Kennedy and Reagan following the attempt on his life. They note the unresolved conflict between the obligation of the president's physician to his patient and to the nation: the disclaimers made about the health of John F. Kennedy during his presidential candidacy—he had Addison's disease, then usually seen as fatal—seem particularly egregious. The authors feel strongly that the procedures for dealing with an incapacitated president as set down in the 25th Amendment are far from adequate.

FROM TRUST TO TRAGEDY. By Frederick Nolting. New York: Praeger, 1988, 159 pp. $12.95 (paper).

The author was U.S. ambassador to South Vietnam in 1961–63 and a staunch supporter of President Ngo Dinh Diem—"a highly moral and deeply religious man who agonized over the decisions he was forced to make." Ambassador Nolting excoriates his successor, Henry Cabot Lodge, for encouraging the overthrow of Diem and thus bringing on the American involvement in the war.

EDGAR SNOW: A BIOGRAPHY. By John Hamilton Maxwell. Bloomington: Indiana University Press, 1988, 343 pp. $25.00.

Edgar Snow (1905–1972) was an enterprising and boldly independent journalist best known for his sympathetic reporting on the Chinese communists: *Red Star Over China* (1938) remains after half a century the fullest firsthand account of the communists in China in the years before they came to power. This competent biography follows Snow from boyhood through his political and journalistic adventures in China to the vicissitudes of the McCarthy period in the United States, and on to a new burst of acclaim when Chinese and U.S. governments began to communicate with each other in 1971–72.

JOHN F. KENNEDY AND A NEW GENERATION. By David Brunner. Boston: Little, Brown, 1988, 189 pp. $16.95.

The author's brevity, emphasis on the "technocratic orientation" of the Kennedy Administration, and commentary on the vast literature about the

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man make this a good place to start for those who have never read a book about John F. Kennedy.

EDWARD LANSDALE: THE UNQUIET AMERICAN. By Cecil B. Curry. Boston: Houghton Mifflin, 1989, 448 pp. $24.95.

Edward Lansdale (1908–1987), nominally a career officer in the U.S. Air Force, was a legendary American authority on and practitioner of counterinsurgency, with close ties to the CIA. He started his career with the OSS during World War II, won a reputation as an adviser in the Philippines in the campaign against the Huk guerrillas in the early 1950s, and then went on to greater fame in Vietnam. Lansdale believed that he possessed a special empathy for Asians which he could teach to other Americans. This admiring but informative biography is an improvement on Lansdale's own sanitized autobiography, published in 1972.

A WINDOW ON OUR WORLD: PLIMPTON PAPERS. Edited by Pauline Ames Plimpton. Latham (N.Y.): British American Publishing, 1989, 314 pp.

The life and times of U.S. ambassador to the U.N. Francis Plimpton, as glimpsed through letters by him and by his wife Pauline and son George, plus excerpts from travel diaries, journals, etc. They are spread over 50 years (1920s to 1970s) and the *ésprit* of the time and place (Paris in the 1930s, Italy in 1946, China in 1920 and again in 1976, among others) is marvelously captured on the wing.

MORE LIKE US: MAKING AMERICA GREAT AGAIN. By James Fallows. Boston: Houghton Mifflin, 1989, 235 pp. $18.95.

A stimulating and readable essay on American culture. The author is an American journalist who has reported from Asia for the past three years. He argues that Americans must not become more like the Japanese, but more like themselves—with more opportunity and mobility, and less regimentation. His criticism of standardized tests to place people in school and job is particularly good.

AMERICAN PROPAGANDA ABROAD. By Fitzhugh Green. New York: Hippocrene, 1988, 210 pp. $16.95.

The book mixes superficial history of the U.S. Information Agency and its predecessors, fictionalized vignettes of problems in the life of public affairs officers abroad, and praise for the "golden age" of USIA in the era of Charles Wick, the agency's head in the Reagan years.

THE PUEBLO SURRENDER. By Robert A. Liston. New York: M. Evans, 1988, 294 pp. $18.95.

The author demonstrates that there are many unanswered questions about the capture in 1968 of the U.S.S. *Pueblo* in or near North Korean waters. But his hunch about the true story is rather wild and not very convincing. He believes that the National Security Agency arranged for the vessel to fall into communist hands in order that the North Koreans would use a code machine they found on board, thereby allowing the NSA to read traffic which had previously eluded decoding efforts.

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The Western Hemisphere

Abraham F. Lowenthal

LIMITS TO FRIENDSHIP: THE UNITED STATES AND MEXICO. By Robert A. Pastor and Jorge G. Castenada. New York: Knopf, 1988, 415 pp. $24.95.

THE CHALLENGE OF INTERDEPENDENCE: MEXICO AND THE UNITED STATES. Report of the Bilateral Commission on the Future of United States-Mexican Relations. Washington: University Press of America, 1989, 260 pp. $29.95 (paper, $14.95).

Two important and innovative studies on the increasingly complex and important subject of U.S. relations with its large southern neighbor. In *Limits to Friendship*, two accomplished scholar-practitioners analyze why the U.S.-Mexican relationship is so often frustrating and conflict-ridden. In alternate and reciprocal chapters, they vividly illustrate the fact that the two countries are divided not only by vast asymmetries of power but also by a shared history each remembers and understands very differently. The Bilateral Commission report strives hard to overcome the differences and to present analyses and policy recommendations that can be endorsed by members of both the Mexican and the U.S. establishments; within the recognized limits of such consensual reports this volume is forthright on recommending that Mexico's debt service obligations be limited to levels consistent with the country's growth, and in proposing specific reforms on trade, immigration and investment policy.

SUBJECT TO SOLUTION: PROBLEMS IN CUBAN-U.S. RELATIONS. Edited by Wayne S. Smith and Esteban Morales Dominguez. Boulder (Colo.): Lynne Rienner, 1988, 158 pp. $18.00.

The result of a series of meetings held from 1985 through 1987 between U.S. and Cuban specialists, organized by the Johns Hopkins School of Advanced Studies and the University of Havana's Center of U.S. Studies, this volume presents well-informed U.S. and Cuban perspectives on current issues with an aim toward exploring how bilateral differences could be resolved if the two governments ever wished to do so. A significant contribution toward the reexamination of U.S.-Cuban relations that may ensue from changes in the broader U.S.-Soviet rivalry.

THE INTER-AMERICAN DILEMMA: THE SEARCH FOR INTER-AMERICAN COOPERATION AT THE CENTENNIAL OF THE INTER-AMERICAN SYSTEM. By L. Ronald Scheman. New York: Praeger, 1988, 210 pp. $39.95.

One hundred years after it began to be developed, the institutional apparatus for inter-American cooperation on shared hemispheric problems is in grave disrepair. The author, a former assistant secretary general of the Organization of American States, is firmly committed to refurbishing the OAS and related regional institutions, taking into account how much divergence has emerged among the interests of the United States and of the Caribbean and the South American nations.

WAR AND PEACE IN CENTRAL AMERICA. By Frank McNeil. New York: Scribners, 1989, 288 pp. $19.95.

An experienced Foreign Service officer who served as ambassador to Costa Rica, deputy assistant secretary of state for Latin America, for East

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Asia and then deputy assistant secretary for intelligence and research, the author resigned from the State Department in February 1987 after a series of clashes with Assistant Secretary of State Elliott Abrams, the Reagan Administration's point man on Central America. Describing the Central America of the Reagan-Abrams policy as "Fantasy Isthmus," McNeil presents a credible firsthand account of how the United States got into such deep trouble during the 1980s. A worthwhile companion to the accounts by Roy Gutman and Constantine Menges.

THE OTHER PATH: THE INVISIBLE REVOLUTION IN THE THIRD WORLD. By Hernando de Soto. New York: Harper & Row, 1989, 256 pp. $22.95.

A best-seller in Latin America, this forcefully argued study suggests that the black market of unregistered businesses, home construction, etc., which dominates Peru's economy is a spontaneous and creative popular response to the state's incapacity to spur production and distribution. De Soto contends that the "informal economy" points the way to resolving the problems of underdevelopment through a reduction of the state and the expansion of free enterprise. Remarkably congruent with Reaganomics, this approach has been propagated vigorously during the 1980s with U.S. government support. It remains to be seen how it will fare in a period of expanding populism in Latin America.

BUREAUCRATIC AUTHORITARIANISM: ARGENTINA, 1966–1973, IN COMPARATIVE PERSPECTIVE. By Guillermo O'Donnell. Berkeley: University of California Press, 1988, 338 pp. $45.00.

Latin America's most influential political scientist, focusing sharply on his native Argentina, analyzes the origins and modes of operation of the pervasively repressive state that first arose in Brazil in 1964 and emerged in Argentina in 1966, and for which the author coined the "bureaucratic authoritarianism" label that has been widely accepted in the academic literature. Drawing on insights about politics, economics, culture and psychology, O'Donnell explains the otherwise inexplicable Argentine turn toward unspeakable violence and repression. A brilliant but difficult book.

THE POLITICS OF COALITION RULE IN COLOMBIA. By Jonathan Hartlyn. New York: Cambridge University Press, 1988, 332 pp. $42.50.

After an extended period of violence, political breakdown and military rule, Colombia turned in 1958 to a generation-long experiment in coalition government which provided the country with peace, political stability and the underpinnings of economic prosperity. By the mid-1980s, however, Colombia's limited democracy was being challenged by a growing guerrilla insurgency and the burgeoning drug trade. This lucid analysis explains the strengths and weaknesses of Colombia's coalition regime as a case of "consociationalism" akin to the accords in the Netherlands, Cyprus, Lebanon and Malaysia that were devised to tame ethnic and religious conflicts.

THE MILITARY AND THE STATE IN LATIN AMERICA. By Alain Rouquié. Berkeley: University of California, 1988, 468 pp.

The foremost French academic authority on Latin America, Rouquié provides a discerning comparative analysis of the evolving political role of Latin America's armed forces and speculates about the future. A well-informed and nuanced interpretation of a perennially important subject.

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THE POLITICS OF DEBT IN ARGENTINA, BRAZIL AND MEXICO: ECONOMIC STABILIZATION IN THE 1980s. By Robert R. Kaufman. Berkeley: Institute of International Studies, University of California, 1988, 137 pp. $9.50 (paper).

A brief, sophisticated and suggestive preliminary comparative study of how the political and institutional forces in Argentina, Brazil and Mexico have shaped the policy choices of Latin America's three largest debtors in this decade's profound crisis. Many issues are left for further exploration, but key questions are posed about the relative roles and interactions among state elites, the popular sectors, big business and external creditors.

LA CAPITAL: THE BIOGRAPHY OF MEXICO CITY. By Jonathan Kandell. New York: Random House, 1988, 640 pp. $24.95.

Now the assistant foreign editor of *The Wall Street Journal*, Jonathan Kandell grew up in Mexico City in the 1950s when it was still a manageable city. Intrigued by its rapid transformation since then into the world's largest megalopolis, Kandell combines his journalistic flair and the historian's archives to provide a compelling portrait.

CONTEMPORARY QUEBEC AND THE UNITED STATES, 1960–1985. By Alfred Olivier Hero, Jr., and Louis Balthazar. Cambridge: Center for International Affairs, Harvard University/Washington: University Press of America, 1988, 532 pp.

A professor at Laval University and one of the leading American authorities on Quebec join forces to produce a major work on the modern history and uncertain future of that province. They delight in upsetting stereotypes, usually with the aid of substantial factual material. They think that "Quebec nationalism in its fundamentals is not in long-term decline." Its needs may well be satisfied within a changing Canadian federation, but they allow for the possibility of separation if devolution does not work well enough.

William Diebold, Jr.

CANADA/USA: PROBLEMS AND CONTRADICTIONS IN ECONOMIC INTEGRATION. By Andrei D. Borodayevsky. Moscow: Progress Publishers, 1988, 262 pp. (Chicago: Imported Publications, distributor, $7.95).

Although he sympathizes with the arguments of Canadian economic nationalists and also hopes the country can maintain a foreign policy that sometimes diverges from that of the United States, this Soviet economist—writing before the U.S.-Canadian free trade agreement—concludes that "North American integration will undoubtedly continue regardless of whether or not it will be institutionalized in an intergovernmental treaty." His reasoning is well grounded in the work of M. M. Maximova and other contemporary Soviet analysts on the nature of capitalist integration.

William Diebold, Jr.

Western Europe

Fritz Stern

REFORGING THE IRON CROSS: THE SEARCH FOR TRADITION IN THE WEST GERMAN ARMED FORCES. By Don Abenheim. Princeton: Princeton University Press, 1989, 316 pp. $29.95.

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A detailed, sensitive study of how the army of the Federal Republic tried to evolve a new ethos, sorting out the honorable legacy of the past and disavowing the politically injurious and morally indefensible traditions. The book, based on a mastery of the literature and supplemented by interviews, marked by exceptional judiciousness and empathy, is also a commentary on the evolution of the Federal Republic and on the spirit of the army. From the beginning of the secret planning for rearmament, initiated by Adenauer and hastened by the Allies, a group of military reformers envisioned a new type of army: an army of citizens in uniform, firmly integrated into a democratic society. An account of the changing ways—alternating democratic reform and accommodation of older, traditional thought—in which the Federal Republic from Adenauer to Kohl has dealt with this critical aspect of rearmament. Helpful in understanding the special and esteemed place of the Bundeswehr in the alliance today.

WELTMACHT WIDER WILLEN: DIE AUSSENPOLITIK DER BUNDESREPUBLIK DEUTSCHLAND. By Christian Hacke. Stuttgart: Klett-Cotta, 1988, 544 pp.

A comprehensive if conventional survey of the foreign policy of the German Federal Republic from utter powerlessness at the birth of the provisional state to a position of world power attained without being wished for. The book, by an experienced scholar and based entirely on secondary sources, concentrates on the role of the chancellors, somewhat neglecting other influences. Rightly impressed by the triumphs of Western integration and pacification, by the "miracle" of Germany's regained strength, Hacke discusses all the major issues, including of course the question of Germany's division (which is deemed "unnatural" but essential to the stability of postwar Europe). He is distressed by the decline in U.S. leadership and fearful that in West Germany the qualities of leadership that have prevailed so far will become rarer. Adenauer is the giant, his successors are judged favorably, with a slight tilt toward CDU-FDP leadership, and with the implicit warning that the miracle is over.

A EUROPEAN PAST: MEMOIRS, 1905–1945. By Felix Gilbert. New York: Norton, 1988, 229 pp. $19.95.

Memoirs of a great contemporary historian, beginning with a childhood in culture and privilege in pre-1914 Berlin and recording in sparse, memorable detail the subsequent years of upheaval: the Great War, student years under Weimar, the immediacy of Nazism, ending with an OSS assignment at the end of the war. A book of austere elegance and unobtrusive wisdom, a brilliantly sharp insight into a bygone world, told by one of its finest representatives.

LA RÉPUBLIQUE DU CENTRE: LA FIN DE L'EXCEPTION FRANÇAISE. By François Furet, Jacques Julliard and Pierre Rosanvallon. Paris: Calmann-Lévy, 1988, 182 pp.

Three excellent essays by leading scholars on the condition of France in the light of Mitterrand's reelection in 1988. All three analyze the long-term changes that account for the emergence of a centrist republic. François Furet, an outstanding historian, sees the 1980s as the time of political pacification when France celebrates the bicentennial of its revolution with something approaching consensus. Furet's essay, the best of the three,

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suggests that "France has ended its political theater of exceptionalism," and has become more like the other democracies. There are costs to pacification: a possible "banalization" of politics, a regrettable shortage of ideas, *ennui*. Le Pen—with his 14 percent of the vote—is seen in part as a protest to pacification. The other two essays stress the renewed discussion concerning the role of "civil society," of elites, of the difficulties of parliamentary representation—and all of these are put in a historical-political context. Subtle, suggestive essays, distillations of serious political thinkers who try to put the changed present into a comprehensive context.

WALDHEIM AND AUSTRIA. By Richard Bassett. New York: Viking, 1989. 235 pp. $19.95.

For five years the Vienna correspondent of the London *Times*, Bassett puts the Waldheim affair in its proper—and to him, dismal—context: the Austrian milieu with its anti-Semitism and "collective amnesia." More of a persuasive indictment than an inquiry, but a good introduction to a wretched affair. The book was written before an international commission of historians studied Waldheim's wartime career and issued a report that at the very least contradicted his earlier boast of total ignorance of Nazi atrocities.

THE OTHER ITALY: ITALIAN RESISTANCE IN WORLD WAR II. By Maria de Blasio Wilhelm. New York: Norton, 1988, 197 pp. $18.95.

Glimpses of the Italian Resistance. A popular retelling, supplemented by interviews and focusing on diverse groups and on acts of individual heroism. A work of inadequate coherence and context.

The Soviet Union and Eastern Europe

John C. Campbell

THE SOVIET UNION AND THE CHALLENGE OF THE FUTURE. VOL. I: THE SOVIET SYSTEM: STASIS AND CHANGE. Edited by Alexander Shtromas and Morton A. Kaplan. New York: Paragon House, 1988, 555 pp.

Product of a conference of the Professors World Peace Academy, this lengthy volume, to be followed by three more, contains a variety of essays, estimates, propositions, debates and disagreements about Russia's future, with excursions into its past. A leading theme is "the coming crisis in the Soviet Union" (the title of a major paper by R.V. Burks) and what may come after "the end of the Soviet system" (the subject of a long piece by Alexander Shtromas). The book may seem overweighted with personal opinion, speculation and fanciful scenarios, but it has much food for thought. The speculations of such as Michael Voslensky, Richard Lowenthal, Leszek Kolakowski, Peter Wiles and Anatoly Fedoseyev cannot be easily ignored.

POLITICS, SOCIETY AND NATIONALITY INSIDE GORBACHEV'S RUSSIA. Edited by Seweryn Bialer. Boulder (Colo.): Westview Press, 1989, 246 pp. $28.50 (paper, $13.95). An East-West Forum Book.

Amid the torrent of publications in the West about the changing Soviet Union under Gorbachev, this one has a special claim to be noticed in that

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the authors look to long-term trends as well as to the rapid succession of recent reforms and the clash of personalities at the top. The roster of authors includes Archie Brown (on ideology), Gail Lapidus (on civil society) and Alexander Motyl (on the nationality problem). The editor contributes, in addition to a piece on the 19th Party Conference, the most informative account of the Yeltsin affair to be found anywhere.

THE THINKING REED: INTELLECTUALS AND THE SOVIET STATE FROM 1917 TO THE PRESENT. By Boris Kagarlitsky. London: Verso, 1988, 374 pp. (New York: Routledge, distributor, $29.95).

Kagarlitsky is a young Russian sociologist of "new left" persuasion, deeply involved in the movement for a more open future for the cultural and political life of his country but still unable to publish his work there. This book, written in 1982 and circulated in *samizdat*, is notable for the full picture it gives of the fate, role and influence of the intelligentsia, and of individual writers, in relation to changing political conditions, and also for the extensive use made of Western writings generally unknown or ignored in the U.S.S.R.

GREY IS THE COLOR OF HOPE. By Irina Ratushinskaya. New York: Knopf, 1988, 355 pp. $18.95.

In 1983 Soviet courts found poet Irina Ratushinskaya guilty of "the dissemination of slanderous documentation in poetic form." For this heinous crime she was sentenced to seven years of hard labor and five years of internal exile. This book is a moving account of her experiences inside the Soviet camp Barashevo. What is more, it is a heartfelt testimony to the spirit and courage of the female "politicals" who shared and enriched her life there. These women formed a community based on those principles denied to them outside—individual freedom, dignity and democracy.

Patricia Dorff

THE RED EMINENCE: A BIOGRAPHY OF MIKHAIL A. SUSLOV. By Serge Petroff. Clifton (N.J.): Kingston Press, 1988, 273 pp. $25.00.

The difficulty in writing a full-length biography of the secretive and elusive Suslov lies, as the author concedes, in the paucity of documentary and other material. For certain periods, particularly the early years, Petroff is reduced to giving a general account of what was happening in the U.S.S.R. and then guessing what Suslov must or might have thought, said or done. Nevertheless, this biography certainly is a good try. It shows how Suslov, first as survivor and then as kingmaker, kept his footing through all the shifts in leadership from Stalin's time to the early 1980s, and established himself as the high priest of ideology. Perhaps Soviet scholars delving into the Khrushchev years and the "Brezhnev-Suslov era of stagnation" will be able to confirm, or correct, the author's conclusions and speculations.

HERITAGE OF FEAR: ILLUSION AND REALITY IN THE COLD WAR. By Richard Lawrence Miller. New York: Walker, 1988, 424 pp. $24.95.

Here we have revisionist cold-war history with a vengeance, covering the entire period since 1917. The general theme: we do not have, and never have had, anything to fear from the Soviet Union or world communism; what we see there is but a mirror reflecting our own anxieties. The villain

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of the piece is Harry Truman, and the cold war the result of his poor decisions and misguided policies, unfortunately carried on by his benighted successors. There is, undoubtedly, some substance to the charge that American policy has at times been warped by the inordinate fear of communism, and parts of Miller's narrative hit a number of nails on the head. But the presentation here of Soviet and Western policies, especially in regard to Eastern Europe and the Third World, is so full of exaggeration, distortion and simplification as to deflate the argument and defeat the author's own purposes.

RETURN TO DIVERSITY: A POLITICAL HISTORY OF EAST CENTRAL EUROPE SINCE WORLD WAR II. By Joseph Rothschild. New York: Oxford, 1988, 257 pp. $24.95.

Professor Rothschild recognizes his dilemma: how to recount the domestic and international history of seven countries over four decades in a limited space. All in all, he manages to include the essential facts and trends, soberly and deftly interpreted, and also to throw an occasional dart at individual actors on the scene or at policies, mainly Soviet or American, he deems misguided or immoral. The book is admirably suited for its intended audience, the student and the general reader.

THE SOVIET UNION AND NATIONAL LIBERATION MOVEMENTS IN THE THIRD WORLD. By Galia Golan. Boston: Unwin Hyman, 1988, 374 pp. $49.95.

Comparing and citing hundreds of official statements and articles by party and academic experts, Galia Golan seeks out the bases on which the Soviets have judged the numerous liberation movements, the factors which have determined Soviet policies toward them, and the connections between the two. She is able to trace not only a long record of inconsistent interpretations and internal debates, with dogmatists arrayed against realists or pragmatists, but also a general trend, beginning in the late Brezhnev years, in favor of the latter. The across-the-board approach, however, with its often pettifogging attention to elaborate theories of national democracy, "socialist orientation," "the world revolutionary process" and the like, makes one wonder about its practical relevance. Fortunately the last part of the book, on patterns of Soviet behavior, takes up specific policies toward specific situations where theory runs up against reality.

PERESTROIKA: FROM MARXISM AND BOLSHEVISM TO GORBACHEV. By Svetozar Stojanović. Buffalo (N.Y.): Prometheus Books, 1988, 167 pp. $23.95.

Very little about Gorbachev and his present problems, but very much on the general crisis of Marxism, its theory and practice, which provides the context for judging both the past and the future of the Soviet Union, Poland, Yugoslavia and other liberalizing but still "statist" societies. It is a stimulating and, in many ways, original critique by a well-known Yugoslav political philosopher of the *Praxis* school.

EASTERN EUROPE, GORBACHEV AND REFORM: THE GREAT CHALLENGE. By Karen Dawisha. New York: Cambridge University Press, 1988, 268 pp. $29.95 (paper, $12.95).

The challenge for Gorbachev, says Karen Dawisha, is the task of improving the viability and stability of the East European regimes without unleash-

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ing societal forces that could threaten the reform movement in both Eastern Europe and the U.S.S.R. In her account Dawisha stresses the realities of Soviet security interests and the history of each East European nation. The subject matter is familiar; the treatment is clear, competent and professional; the conclusions, justifiably, are cloudy. Indeed much depends on Gorbachev, but the issues lie deeper than the fate of his reforms.

POLAND CHALLENGES A DIVIDED WORLD. By John Rensenbrink. Baton Rouge: Louisiana State University Press, 1988, 247 pp. $19.95.

On the basis of a five-month visit to Poland in 1983 and subsequent ruminations, an American political scientist gives his diagnosis of where matters stand in that country and where they may go. More space than necessary is taken up with tracing the evolution of his own thinking and his disagreements with others who have written on the same subject, but he does manage to present an authentic picture of the events of the past decade and some stimulating thoughts on the future. He puts a heavy burden on Poland, and on Solidarity in particular, in making the country the laboratory for the resolution not only of its own dilemmas but for those of the cold war.

YUGOSLAVIA: A FRACTURED FEDERALISM. Edited by Dennison Rusinow. Washington: Wilson Center Press, 1989, 200 pp. (Washington: University Press of America, distributor, $23.50; paper, $11.75).

Papers written by Yugoslav and American scholars for a conference at the Wilson Center in 1986. They look at Yugoslavia's perennial nationalities problem and its constitutional and other implications from various angles, and all emphasize the seriousness of the current political and economic crisis. We are not given a summary of the conference discussions or debates, and there is no overall synthesis; the editor's introduction is good but disappointingly brief. Perhaps the problems are too complex to understand, as they appear to be too complex for the Yugoslavs to cope with.

YUGOSLAVIA'S SECURITY DILEMMAS: ARMED FORCES, NATIONAL DEFENCE AND FOREIGN POLICY. Edited by Marko Milivojevic, John B. Allcock and Pierre Maurer. Oxford: Berg, 1988, 324 pp. (New York: St. Martin's, distributor, $63.00).

There is a mine of good material and analysis here, mainly for devotees of Yugoslav history and politics but also for those concerned generally with the role of the military in society and with the defense problems of small nonaligned nations. Two key questions get special attention: the possibility of a military takeover in Yugoslavia and the capacity of Yugoslavia's "total national defense" strategy to meet the test of war.

ROMANIAN POLITICS IN THE CEAUȘESCU ERA. By Daniel M. Nelson. New York: Gordon and Breach, 1988, 244 pp. $69.00.

Because most of its chapters are revised articles published over the past decade, stitched together to present three major subjects (elite-mass relations, local institutions and, much more lightly, international relations), the book as a whole lacks balance as a full treatment of Romanian politics. The author knows the country well, however, and his exemplary research fully supports his exposé of the "autocratic populism" of the Ceaușescu regime.

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The Middle East

John C. Campbell

COLLUSION ACROSS THE JORDAN: KING ABDULLAH, THE ZIONIST MOVEMENT AND THE PARTITION OF PALESTINE. By Avi Shlaim. New York: Columbia University Press, 1988, 676 pp. $40.00.

This massive volume puts a burden on the reader, but it is a welcome burden because its very wealth of detail brightens the light thrown on relations among the three key actors in the drama of the partition of Palestine (Britain, Jordan and the Zionists). Access to recently opened archives in London, Washington and Israel, plus revealing interviews and the use of memoirs and other material on both the Israeli and the Arab side, enabled the author not only to fill in the gaps in the known story but also to change it in significant respects. He may overstress the point that his is "revisionist" history, but it does differ from many existing Zionist as well as pro-Arab accounts and, as the record he adduces shows, with good reason. The book should certainly stand the test of time.

ISRAEL'S FATEFUL HOUR. By Yehoshafat Harkabi. New York: Harper & Row, 1988, 256 pp. $22.50.

General Harkabi, former chief of military intelligence and later adviser to Prime Minister Begin, calls for a radical shift in Israeli policy in the direction of negotiation for peace with the only logical negotiating partner, the PLO, on the basis of withdrawal from the occupied territories. He has a claim to be listened to in Israel and in the Diaspora because for years he has been a leading authority on the Arabs and their attitudes toward Israel. He recognizes that the hard Likud line on the territories has wide public support, even within the Labor alignment, but feels all the more compelled to label it suicidal. The Hebrew original of the book, published in 1986, has gone through four editions in Israel.

THE MIDDLE EAST: TEN YEARS AFTER CAMP DAVID. Edited by William B. Quandt. Washington: Brookings, 1988, 517 pp. $35.95 (paper, $15.95).

No other single volume performs the service this one does in laying out the essentials of the Arab-Israeli problem, the various viewpoints on Camp David, the stalling of the peace process in the past decade and the uncertain prospects for the future. Arab, Israeli, American and Soviet contributors complement each other in showing the multiple complexities rather than in pointing toward solutions. In a thoughtful concluding chapter Harold Saunders, undaunted by the myriad obstacles, pursues his familiar argument that favorable political conditions must be brought about before any negotiation for settlement can succeed.

THE IMPACT OF THE SIX-DAY WAR: A TWENTY-YEAR ASSESSMENT. Edited by Stephen J. Roth. New York: St. Martin's, 1988, 316 pp. $39.95.

Eighteen essays on how the war of 1967, as a watershed event, affected Israel and various regional and international aspects of the Arab-Israeli problem. With only two Arab contributors (one Israeli Arab and one East Jerusalem journalist) the volume is definitely Israel-centered. It is no surprise that most of the attention is concentrated on the issue of the

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occupied territories. Although a few of the essays are outstanding, most of them do little more than summarize the developments of the 20 intervening years, and the question of what was or was not a result of the war is often impossible to answer.

STATECRAFT IN THE DARK: ISRAEL'S PRACTICE OF QUIET DIPLOMACY. By Aharon Klieman. Boulder (Colo.): Westview Press, 1988, 156 pp. $18.00 (paper). A Jaffee Center for Strategic Studies Study.

"Quiet diplomacy" may not be the right term for the "back channel" contacts and negotiations, something between normal diplomacy (which can be quiet) and secret intelligence operations (which have to be), that the author sets out to define and describe. For Israel, anyway, such practices have been necessary to gain recognition and support, to weaken enemies and win allies, to rescue citizens or repatriate prisoners, and for many other reasons. Klieman's book is an introduction to the subject, a treatment in breadth rather than depth; the only case considered in any detail is the series of sub-rosa contacts with Jordan.

THE IRANIAN TRIANGLE: THE UNTOLD STORY OF ISRAEL'S ROLE IN THE IRAN-CONTRA AFFAIR. By Samuel Segev. New York: Free Press, 1988, 340 pp. $22.50.

The more this story comes to light the harder it is to believe. But the detailed account of Samuel Segev, an Israeli journalist, is most convincing, as it supplements the record of the U.S. congressional hearings with revelations on the central role of Israel throughout the entire affair. In both method and substance Israel's conduct was at least logical and consistent with its policy toward Iran, established in the days of the shah (described in the opening chapters), and not a game played by rogue adventurers. What is still missing is the Iranian side of the story, preferably from one of the "moderates" for whom the Americans were looking.

GREAT POWER INTERESTS IN THE PERSIAN GULF. By Paul Jabber, Gary Sick, Hisahiko Okazaki and Dominique Moïsi. New York: Council on Foreign Relations, 1989, 78 pp. $8.95 (paper).

Succinct presentation of the views and policies of the United States, Western Europe and Japan toward the region of the Persian Gulf, with particular attention to strategic interest, oil and the Iran-Iraq War. The chapters by the European and Japanese authors are notable for points often ignored elsewhere and for highlighting where European and Japanese interests diverge from those of the United States.

THE BEAR AND THE LION: SOVIET IMPERIALISM AND IRAN. By Martin Sicker. New York: Praeger, 1988, 168 pp. $34.95.

A review of the efforts of Russia, under the tsars and the Soviets, to bring Iran within its imperial embrace. The book has its merits in showing the continuity of Russian policy, based on geopolitical realities and great-power expansionism, but the treatment is a bit cursory and the use of sources limited and selective. In line with his overall argument, the author predicts that the post-Khomeini period will offer the Soviets manifold opportunities to extend their sway over northern Iran or the entire country.

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THE MAKING OF CONTEMPORARY ALGERIA, 1830–1987. By Mahfoud Bennoune. New York: Cambridge University Press, 1988, 323 pp. $54.50.

This book contains a world of useful information, with many tables, on Algeria's economic development, especially since independence. But it is more than a survey. It is a high-powered criticism of governmental policies in the successive regimes of Ben Bella, Boumedienne and Benjedid, particularly severe in its condemnation of Benjedid for abandoning modernization and growth through state industries and turning over the economy to a parasitic "comprador bourgeoisie." Thus, it is a salvo in the current political debate and struggle over how socialist or capitalist Algeria's road should be.

Asia and the Pacific

Donald S. Zagoria

THE ENIGMA OF JAPANESE POWER. By Karel van Wolferen. New York: Knopf, 1989, 476 pp. $24.95.

This is a harsh and irreverent portrait of the Japanese political system, culture and society by a Dutch journalist who has lived in Japan for more than 20 years. It has chapters with such titles as "The Japan Problem," "The Elusive State," "The System as Religion," "In the World But Not Of It." Contrary to the usual indictments the author does not claim that Japan is systematically setting out to establish economic hegemony over the rest of the world. Rather, his main argument is that for all their economic success, the Japanese have no responsible central government. No one is ultimately in charge; the political system is "rudderless" and out of control. How, then, does one account for Japan's undoubted successes over the past several decades? Do not the Liberal Democratic Party, the bureaucracy and the business community provide some degree of leadership? Moreover, the argument that Japan is rudderless seems to be inconsistent with another of the author's central arguments borrowed from Chalmers Johnson—namely that Japan is not a free market system but a special variety of system he calls "the capitalist development state." It is rather a pity he has gone to such an extreme to make his point, because he does have a number of important insights into the Japanese political system.

INDIA BRIEFING, 1988. Edited by Marshall M. Bouton and Philip K. Oldenburg. Boulder (Colo.): Westview Press/New York: The Asia Society, 1988, 198 pp. $33.95 (paper, $14.85).

The Asia Society has again provided in its annual review of contemporary India a solid collection of essays covering the essentials—domestic politics, the economy and foreign policy—while adding sections on technology and education. There is an exceptionally informative analysis of the Indian political system by the British political scientist James Manor. He sees the Congress Party as riddled with corruption and factionalism and he argues that the current leader Rajiv Gandhi is impulsive and lacks clear goals, moving too far in one direction and then overcorrecting by rushing headlong in another. Meanwhile the opposition is fragmented and only regionally based. Manor concludes on an optimistic note by stressing the system's capacity of regeneration at the state level.

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THAILAND-U.S. RELATIONS. Edited by Ansil Ramsay and Wiwat Mungkandi. Berkeley: Institute of East Asian Studies, University of California, 1988, 335 pp. $20.00 (paper).

In this volume, which stemmed from a 1986 Thai-U.S. conference, there are excellent contributions on Thailand's political and social structure, U.S. policy toward Thailand, regional affairs, the Cambodian problem, trade relations and global economic trends. There is a particularly strong chapter on Thailand's security prospects by Karl D. Jackson and another informative essay on the Thai political system by William Overholt.

DENG XIAOPING. By Uli Franz. San Diego: Harcourt Brace Jovanovich, 1988, 340 pp. $21.95.

Since communist countries perceive all history as the chronicle of class struggle, and not of individuals, they are usually reluctant to provide information about the personal lives of their leaders. In this biography Franz discusses much that was previously unclear or unknown about Deng's early life. The son of a wealthy landowner, Deng spent six years as a student-worker in Paris learning revolutionary techniques. We read about his family (he was married three times), his early friendship with Zhou Enlai and his clashes with Mao over the "hundred flowers" experiment and the Cultural Revolution. Franz's book raises more questions than it answers (how did Deng's father respond to his son's revolutionary activities?), and his analysis is sometimes simplistic. Still, at this point, any contribution to our understanding of one of China's most important leaders is welcome.

Patricia Dorff

ASEAN AND CHINA: AN EVOLVING RELATIONSHIP. Edited by Joyce K. Kallgren, Noordin Sopiee and Soedjati Djiwandono. Berkeley: Institute of East Asian Studies, University of California, 1988, 368 pp. $20.00 (paper).

This is yet another of the University of California's splendid series of publications on contemporary Asia in which the authors, eminent scholars from the United States and Southeast Asia, explore the evolving relationship between China and ASEAN. The essays are of uniformly high quality but several stand out. Sukhumbund Paribatra, a Thai scholar, explores the Chinese-Thai security relationship in more detail and with greater insight than is available elsewhere. Edward W. Ross, an analyst in the U.S. Defense Department, writes the single most informative essay extant on the U.S.-Chinese military relationship, updated to December 1987. A concluding essay by Robert Scalapino is a brilliant analysis of the unfolding great-power rivalry in East Asia.

SOUTH KOREA AND THE UNITED STATES: A CONFERENCE REPORT. By Susan Moffat. New York: The Asia Society, 1988, 38 pp.
ALLIANCE UNDER TENSION: THE EVOLUTION OF SOUTH KOREAN-U.S. RELATIONS. By Manwoo Lee, Ronald D. McLaurin and Chung-in Moon. Boulder (Colo.): Westview Press/Seoul: Kyungnam University Press, 1989, 228 pp. $35.00.

The Asia Society conference report provides a solid overview of U.S.-R.O.K. relations with stress on political and security issues. The conference in 1988 at Wingspread (in Racine, Wisconsin) brought together a number of prominent academics and officials from the United States and South

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Korea. The report has incisive sections on contemporary R.O.K. politics and economics, North-South Korean relations and the evolving role of the great powers in Korea. The volume published by Kyungnam University is another substantial addition to the literature. There are good chapters on anti-Americanism in South Korea by Manwoo Lee, on U.S.-R.O.K. security relations by Ronald D. McLaurin, and on the South Korean defense industry by Chung-in Moon. There is also an informative chapter by Moon on the South Korean lobby in Washington.

ASIAN SECURITY ISSUES. Edited by Lawrence Ziring and David G. Dickason. Kalamazoo: Institute of Government & Politics, Western Michigan University, 1988, 200 pp. An Asian Forum Publication.

This is an uneven collection, but one solid contribution is by a Pakistani political scientist, Syed Rifaat Hussain, who provides a good history of Soviet-U.S. and Chinese-Indian rivalry in South Asia, and concludes that the superpower competition is the decisive strategic relationship influencing the region.

Africa

Jennifer Seymour Whitaker

AFRICA'S DEVELOPMENT CHALLENGE AND THE WORLD BANK. Edited by Stephen Commins. Boulder (Colo.): Lynne Rienner, 1988, 243 pp. $30.00.

This first-rate collection does not, as the title implies, focus on the World Bank, but rather on the new generation of issues spawned by the adoption within Africa of structural adjustment policies pushed by the bank and the IMF as well as bilateral Western donors. The authors move beyond the policy debates of the last decade to offer modest and sage prescriptions for accommodating reform with African realities. Most impressive are Nguyuru Lipumba on policy reform in Tanzania, Robert Bates on the politics of agricultural policy reform, Raymond Hopkins on food aid, and Charles Elliott on structural reform and African political culture.

INEQUALITY IN AFRICA: POLITICAL ELITES, PROLETARIAT, PEASANTS AND THE POOR. By E. Wayne Nafziger. New York: Cambridge University Press, 1988, 204 pp. $42.50 (paper, $12.95).

In the collective quest for ways to spur Africa's eroding productivity, equality tends to get lost in the shuffle; thus this highly detailed documentation of how and why gaps of many sorts are growing is salutary. Having brought us to the well, however, the author does not lead us on to drink: eschewing prescription, he merely, in a kind of afterthought, calls for democratic alliances at the grass roots to bring about redistribution and growth.

UGANDA NOW. Edited by Holger Bernt Hansen and Michael Twaddle. Athens: Ohio University Press, 1988, 374 pp. $29.95 (paper, $15.95).

In part this volume presents Uganda as a stage for discussing a nightmare version of problems besetting many of its neighbors as well. But the roots of Uganda's peculiar political pathology are also explored—most tellingly by Christine Obbo's account of the rural ethnic origins, going back to the colonial period, of the country's endemic political and social violence.

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JOURNEY CONTINUED: AN AUTOBIOGRAPHY. By Alan Paton. New York: Scribners, 1988, 308 pp. $22.50.

Fans of South Africa's well-known novelist will not find the lyrical master of English prose in this last work, the second and final part of his autobiography. Instead he gives us a fairly straight account of the period from the publication of *Cry the Beloved Country* (1948) to the end of the 1960s, focusing mostly on the stormy 15-year existence of the multiracial Liberal Party, which he chaired. A candid though not particularly revealing memoir of liberal political activism during apartheid's years of greatest growth and strength.

NOT EITHER AN EXPERIMENTAL DOLL: THE SEPARATE WORLDS OF THREE SOUTH AFRICAN WOMEN. Edited by Shula Marks. Bloomington: Indiana University Press, 1988, 217 pp. $27.50 (paper, $9.95).

In these remarkable letters, beginning in 1949, between a black South African girl in her teens and an elderly British woman educator (the third woman, a black South African social worker, is a subsidiary player) a tragedy of cultural misunderstanding is played out against the background of advancing apartheid and, with it, "Bantu education." Like the troubled young student here, South Africa's educated (and Christianized) blacks were systematically deprived of a place they could call home.

THE ETHIOPIAN TRANSFORMATION: THE QUEST FOR THE POST-IMPERIAL STATE. By John W. Harbeson. Boulder (Colo.): Westview Press, 1988, 239 pp. $32.50.

This study of post-imperial Ethiopia combines a very full historical account of the coup which overthrew Haile Selassie, the stages of the revolution which followed, and an assessment of the policies—particularly land reform—of the successor regime, the Dergue. Looking at the saga of Ethiopia's mounting economic problems, the author concludes that failures of development management have overshadowed ideology, policy and structure.

THE GREEN AND THE BLACK: QADHAFI'S POLICIES IN AFRICA. Edited by René Lemarchand. Bloomington: Indiana University Press, 1988, 188 pp. $29.95.

In reading this volume what is striking is how many of his foreign policy options Qaddafi seems to have used up—to no avail. His North African unions having both ended in divorce and his military and diplomatic forays south of the Sahara having resulted in his resounding rejection as leader of the OAU, the energies of the Libyan juggernaut within its own continent have been severely circumscribed. Thus the global arena may have to be the main future field of operations for this jaunty adventurer.

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Edited by Janis A. Kreslins

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